THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 78, No. 8 • July 20, 1946

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CONTENTS

C. G. Wyckoff, President and Treasurer; Eugene J. Foley, Vice President; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. 50 cents Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possesions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

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EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, B. C. 4, England.

Cable Address—Tickerpub

Questions

ASKED BY INVESTORS

With many confusing elements at work in the business and national picture at the present time, investors are quite understandably perplexed, and are inquiring about the major issues of the day. From the broad cross section of questions addressed to us, we have selected a few of possible broad interest to all our readers at this time.

QUERY—In your recent issues you have discussed some of the vital political issues of the day, and how they are likely to affect investors. Do you think investors will fare better, politically, in the future than they have in the past?

G.W.McF., Oneonta, N. Y.

ANSWER — That question covers a lot of territory, but we believe that certain trends are visible at this time. For one thing, the number and influence of investors are increasing, due to several causes. One important influence is the public's participation in U. S. war and savings bonds, which made many people "investment conscious" who had not been previously. Secondly, the increase in income and savings through the war years made many new converts to security investment, especially because it emphasized the need for capital conservation and income at a time when bank interest rates were at record lows. As a result, the investing public in this country numbers at least 22,000,000 and may run as high as 25,000,000 according to some calculations. Moreover, many who do not own securities directly are becoming aware that they are indirect investors through ownership of life insurance policies or savings accounts, and that they therefore have a stake in what happens to investors as a whole. We rather believe that investors are going to be better organized in the future, and that their weight will be felt politically and otherwise.

Besides, there are signs that the leftward trend of politics in this country may have reached its highwater mark, at least for the present and the foreseeable future, and that the left-wing, totalitarian groups are not as potent as they were previously. They do not have anywhere nearly the same position they once had in the Democratic party, and would appear to have lost a good part of their bargaining leverage, at least for the time being.

There is also less accent on "reforms" of business. Utility holding system breakups have been going on for a decade, and are no longer a major issue. Financial reforms have been pretty well accomplished, and the banker and director are no longer pilloried as much as they once were. The easy money policy—which squeezed the return on investment capital—is still with us, but we believe it has reached its peak and that economic forces as well as political reasons have halted the downward trend of interest rates.

So, on balance, we feel that the worst drives against investor interests are over. We do not feel, however, that the investor will receive particularly favored treatment, but that a better appreciation of his indispensability to a healthy economy will be forthcoming. A good deal depends upon how effectively investors make themselves heard as a group and how vigilantly they guard their interests.

Rate Increases for Railroads

QUERY—What does the recent 6.5% general freight rate increase mean to the railroads when they had asked 25%

J.H.W., Salina, Kans.

ANSWER—The 6.5 per cent increase in freight rates granted by the Interstate Commerce Commission effective July 1, 1946 was intended to be only a temporary and emergency measure to produce immediate revenue for the carriers to meet increased wage costs. Full and complete hearings are scheduled to be held commencing July 22nd, and these should be completed about the third week of August with a final decision expected early in September. It is generally expected in railroad circles that a more adequate adjustment will then be made, since for the industry as a whole, the emergency rate order will add only an estimated $390 million to rail revenues, on an annual basis, as compared with pay increases granted railroad workers since January 1 of this year of $800 million annually.

Not all railroads, of course, were affected in the same degree by the increase. For example, railroads in the so-called "official territory"—the region North of the Potomac and East of the Mississippi Rivers — will benefit most, for they will be permitted to superimpose a further 5 per cent increase on the new emergency rates, excluding anthracite and bituminous coal, lignite, coke and iron ore which were covered by special increases. Such special increases amounted to 2 cents a

(*Please turn to page* 478)

Meeting The Crisis

WE STAND AT A CRUCIAL POINT in our history. The outcome of the crisis through which we are now passing may well determine the destiny of free enterprise in this country and the political pattern of the future. Removal of price restraints with expiry of OPA last June 30 therefore marks a turning point—perhaps one of the most significant in recent times. What makes this so important at this time is that its political implications far transcend the economics involved.

Consequently, the situation represents both a challenge and an opportunity, a challenge for free economy to meet and master, and an opportunity to prove that such a system can best provide the needs of the masses of people at reasonable prices. But when we say that free enterprise must meet the challenge, that means we are all involved, as components of such a society. While business management will have the major share of responsibility in determining pricing and production, management is ultimately dependent upon the laws of supply and demand. Hence, the real price level is determined by the consumer and his buying attitude, as well as by the producer and the position he adopts.

Manufacturers and distributors can provide the best possible refutation to the advocates of planned economy by producing and selling goods quickly and as efficiently as possible, and by exercising restraints with regard to pricing policy. In so doing, they will be following the dictates of enlightened self-interest, as well as aiding the economy as a whole.

But there are others beside business management who must cooperate if voluntary price control is to succeed. The consumer—which means all of us—has a vital role to play, for we can help defeat inflation by plain common sense in our buying attitudes. Panic buying, recklessness, or speculation should be avoided; careful, conscientious insistence upon values will always pay the best dividends in any market at any time.

Probably one group more than any other which can make or mar voluntary price control is organized labor. Termination of OPA was marked, unfortunately, by threats and implications that labor will make fresh demands from here on to offset rising living costs; in other words, a fresh outbreak of strikes is not improbable, although many important wage agreements extend until next spring. As has already been demonstrated, rising wages have been a major factor in the inflation which has already materialized, so that any concerted drive for higher payments at this time would only spur the upward spiral of prices.

In thus meeting the challenge of the crisis, we are fortified by the knowledge that free enterprise has survived and triumphed over far worse threats than this. That the controls were removed as abruptly as they were was unfortunate, but the important fact is that a free market has been reinstated. Whether a "revived" OPA is yet adopted is of little consequence any longer, for the real forces shaping the price level have progressed too far to be altered very materially by legislation. While prices may move rather erratically in seeking their economic levels, all will work out well if all segments of our economy will cooperate.

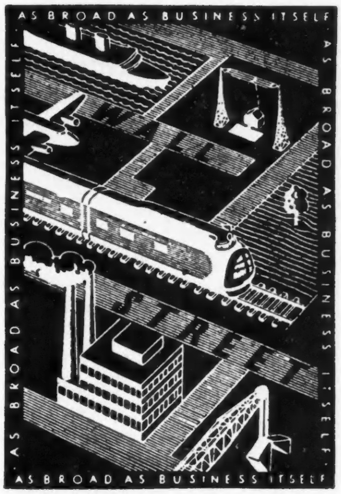
ANNOUNCING A NEW FEATURE

★ ★ ★ ★

Commencing with our August 3rd issue, we shall initiate a new series on "INDIVIDUAL ACHIEVEMENT UNDER FREE ENTERPRISE."

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher*



The Trend of Events

DOLLAR DEPRECIATION ABROAD—Sometimes we obtain a clearer conception of our national economy through the observations and actions of those beyond our borders. Despite our myriad interests abroad and our global commitments, we are still one of the most insular of nations in much of our thinking, especially in the realm of international finance, and more particularly with regard to foreign exchange. Foreigners sometimes appraise us more shrewdly and accurately than we do ourselves, for they see us with a perspective and objectivity that we naturally cannot possess.

With this in mind, latest developments affecting the dollar in the world market are most interesting and highly significant. Within the past fortnight, the 10 per cent differential between the American and Canadian dollars was ended by the Dominion's upward adjustment of its currency in terms of ours. It should be remembered that the erstwhile discount on Canadian funds was originally permitted as a war measure, so that adjustment at this time is not without some logic. But it is noteworthy that this revision takes place at a time when our domestic price level is rising sharply; in other words, when the internal value of the dollar is declining, continuing the trend which has been perceptible for several years, so that its external, or foreign exchange, position becomes more vulnerable thereby. Sweden has also revalued its currency.

Quite aside from Canada's timing in its currency adjustment, reactions across the sea are perhaps still more articulate. Britain and Czechoslovakia — two astute and experienced appraisers of foreign exchange—are now reported considering a similar revaluation of their currencies in terms of the dollar. In other words, they feel that the depreciation of the dollar here at home will eventually be matched by a decline in its external, or exchange value.

What makes this especially noteworthy is that the American dollar has long been regarded as one of the world's most stable currencies, and since Britain abandoned its gold standard in 1931, the dollar has been the leading monetary unit, a symbol of value and stability. Only when we ourselves changed the gold basis of the dollar in 1933 has the dollar ever experienced a major decline in world markets.

While dollar depreciation in the exchange market will not be catastrophic, it is nevertheless important, for a change of even a few cents can affect foreign trade movements and have its counterpart on our domestic economy. We shall comment further on this in an interpretive way in our next issue.

SILVER AGAIN—That hardy perennial of American politics, silver, is in the headlines again. Hardly a day goes by without King Silver getting lots of publicity and front-page notice. Just now, the fate of silver prices is being debated in Congress with the eventual outcome anybody's guess. The House last week rejected a price compromise adopted by the Senate which set the Treasury sales price for the white metal at 90.3 cents an ounce, and dropped the Senate's original proposal for raising the price to $1.29 after two years. Actually, House leaders had indicated willingness to go along with the re-

Business, Financial *and* Investment Counselors : 1907—*"Over Thirty-nine Years of Service"*—1946

vised Senate proposal, but the new version struck a snag in the House conference committee.

Meanwhile, it is interesting to note that several million ounces of silver were sold in the open market at $90\frac{3}{8}$ cents an ounce. Reflecting this quotation, the leading silver bullion dealers immediately fixed their price at $90\frac{1}{8}$ cents an ounce, compared with $70\frac{3}{4}$ cents prior to expiry of OPA. A good part of the recent sale consisted of foreign silver, which was attracted by the rise in quotations. The OPA ceiling was so far out of line with the world market price that foreign-mined silver was sold abroad rather than in this market, resulting in a tight supply situation among industrial users of the metal in this country.

Domestic silver consumption is estimated at around 125 million ounces a year, and there are reportedly 219 million ounces of "free" silver in the Treasury, that is, bullion, which is not pledged for currency or monetary backing. Acutally, not all of this would be available to industrial users, because of subsidiary coinage needs.

The silver situation is a very complex one, with many economic and political facets. The silver bloc is powerful and well organized, and has often in the past been able to win its point by log-rolling and enlisting the aid of other blocs. Just now, the fate of silver prices and the free flow of the metal to industrial markets hinges on composing the differences between the Senate and the House.

THE FOREIGN ENIGMA—Regardless of what else may be said of our times, they are far from being dull. In fact, the tension and suspense surrounding today's happenings make one long nostalgically for the less exciting, if somewhat prosaic "good old days." Certainly one of the chief causes of concern in our postwar world is the shape of things abroad. In an age which boasts of innovations and precedent-breaking, we have a combination of circumstances overseas which is without parallel in history. The famine, disease, misery and despair on the Continent read like a scene from the Apocalypse, and against this drear background new political tensions have sprung up to complicate the picture still further.

The pattern of recent developments in Europe is such as to make world cooperation more imperative than ever. The powder keg situation in Trieste, border incidents on the Russian-American-British occupation zones in Germany, new upheavals in Italy, and the series of day-to-day surprises at the Paris conference suggest a poor basis on which to build international amity.

It is against such a background that passage of the British Loan by the House takes on special significance. After long debate and the injection of numerous issues—many of them extraneous to the subject in question — passage was voted by the House, extending $3,750 millions of credit to Great Britain. For the first time in many years, American exports to Britain and its sterling bloc members can now be paid in U. S. dollars, rather than in pounds, and restrictions on conversion of pounds into dollars will also be lifted. But of far greater significance is the salutary effect which the loan should have in reviving international trade and restoring reciprocity in world commerce.

WATCH THE MONEY MARKET—Those who have followed our columns in the past know that we have counseled watching the money market for clues to coming events. One reason this has been stressed is because developments in the prime capital markets have far-reaching repercussions throughout the whole financial and business structure, particularly on the level of security prices. For some time there have been evidences that the decade-long diminution in interest rates may be reaching its climax, and while no radical reversal of the trend is anticipated, a gradual firming in the rate basis is becoming evident.

Salient financial indicators have been telling a meaningful story for some time: a continuing decline in excess reserves, a shift from gold imports to exports, and a gradual halting of the upward course of Treasury bond prices, the latter being a secondary effect. Added to these basic economic forces have been indications of policy changes on the part of the regulatory authorities, notably the Federal Reserve.

All this provides a fitting background to the advance in certain interest rates by two leading New York banks a few days ago, National City and Guaranty Trust. Rates on loans collateralized by Government securities were increased from $\frac{3}{4}$% to $\frac{7}{8}$% on those backed by certificates of indebtedness, and 1% on all other Treasury issues. Call money rates were raised from 1% to $1\frac{1}{2}$%, a similar adjustment being made for broker and dealer loans for account of their customers. On "advances" to brokers and dealers, secured by U. S. Treasuries, the lending rate will be increased amounts ranging from $\frac{1}{8}$% to $\frac{1}{4}$%, for loans of various types.

While this action has been taken only by two banks, the institutions in question are leaders in the financial community, and other banks are expected to follow suit. One reason for the upward adjustment is a growing tightness of funds available for lending or investment purposes.

One of the immediate results of the rate adjustment was a decline in Treasuries and prime-grade corporate bonds, with the Victory Loan $2\frac{1}{2}$s, 1967-72, the longest-term Government issues outstanding, dropping 10/32. Thus, perhaps one of the most important aspects of the changing loan structure is that it illustrates the importance of Federal fiscal policies to investment markets. If the policy of Federal debt retirement is continued, it should have a salutary effect on our capital markets, and eventually bring about a more equitable return on capital funds.

As I See It!

BY CHARLES BENEDICT

Hope Springs Eternal

When I was very young I dreamed of consecrating myself to the development of a better world. It seemed to me, then, the earth was such a beautiful place that human beings could be moved to cooperate toward the full development of an age of civilization in which we would all enjoy the fruits of a wonderful life.

As I grew older, I became more and more puzzled when I found so many acting to destroy what others had built up—either because of jealousy or greed, which expressed itself in short-sighted, destructive activities. In the resulting struggle, I found no one profited, as the balance shifted from one side to the other, depending upon the strength of the leadership.

It was then I began to delve into history in the hope of finding the answer . . . and it was always the same. A lust for power, with envy and avarice as the underlying motives. It seemed that after every period of commonsense building . . . and just as man was about to find himself spiritually . . . another typhoon of destructive forces swept over the earth and laid him low.

We have reached such a major climax today, with one camp seeking to stabilize the world and lift mankind to new spiritual heights, while the other is working to drag the rest of the world down to the depths which inexperience and inept leadership have brought great multitudes of the people. And I am referring to the Russian government.

If the Soviet leaders, instead of having devoted themselves to revolutionary tactics, had concentrated on an understanding of economic forces, the Russian people would not have been brought to such a low estate as that in which they now exist.

The Heritage

—Hutton, in The Philadelphia Inquirer

And because these leaders have been unable to carry out a program that would raise the standard of living for the people of that great country even moderately, they are seeking to tear down the standards of the other peoples of the world to their own subsistence level. Incapable of building a sound economic state themselves, they belittle and decry the economic progress of other nations.

Their insistence that the rest of the world pattern themselves on the Russian model is clearly a confession of their own failure, which they are seeking to cover up with vicious and heartless stubbornness, for it will continue to cost countless lives until the tide is turned against them.

So fearful are they that knowledge of better life outside Russia will bring revolt in their own country, that they try to keep their people in ignorance of what is taking place elsewhere. And their fear further expresses itself in their attempts to destroy western economic life, particularly in the United States and Great Britain, where they are working to blast the commonsense basis which enables each man to rise to the extent of his capacity. For, contrary to the well meaning but inaccurate cliche—all men are not created equal, physically, mentally or otherwise. Recognition of this truth in our country gives every man his chance, while we seek by law to protect those who are not equipped sufficiently to rise out of the environment in which they are born. This is the true brand of democracy, which elevates the great masses of the people, in contrast with the spurious democracy preached by Moscow which only results in degradation.

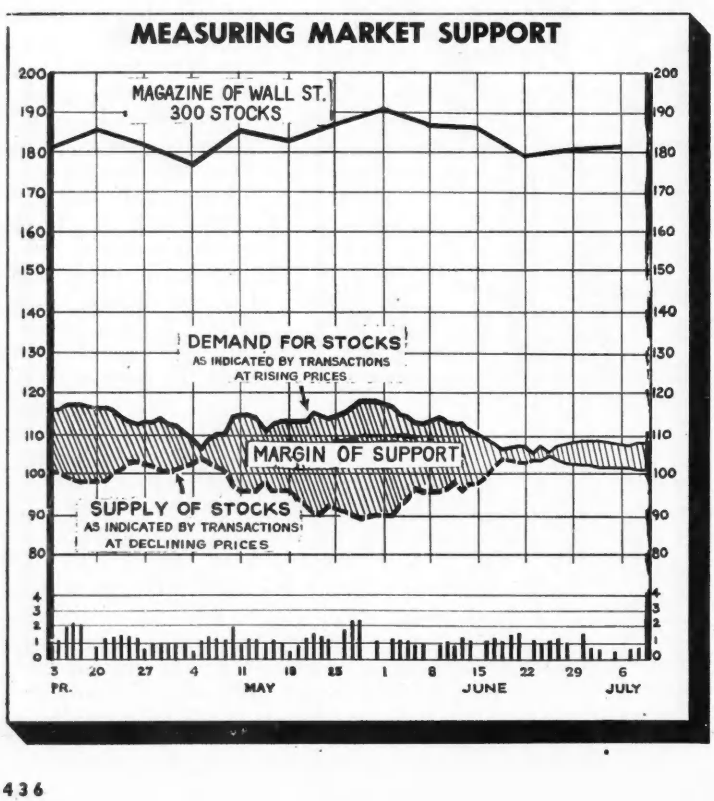
Wisest Market Policy Now

Technical position of the market has been somewhat impaired by the further decline in rail averages and the narrowing margin of support. It stands at a pivotal point, from which a broad movement in either direction could develop, but no basic change in policy is warranted unless and until the market itself gives a clear-cut signal.

By A. T. MILLER

IN general, apprehension has been allayed by the comparative moderateness of commodity price adjustments to date and by the very beneficial results achieved in increasing supplies of such household essentials as meat and butter at quotations lower than previously well-publicized black market prices. On the other side of the ledger, of course, there were disturbing reports of substantial mark-ups in rents in various parts of the country as efforts were made to beat expected enactment of some kind of control in this field, considered most dangerously vulnerable from the social standpoint because of the seriousness of housing accommodations. From the broader standpoint, however, the effects upon business, commodity prices, and the stock market have not as yet been at all sensational.

The trend of general business, which began climbing again in June, after two months of recession from the peak in March, 1946, continued to forge forward following the veto as did also industrial production, as measured by the Federal Reserve Board index. The most pronounced effect, however, has been upon the daily prices of *spot commodities*, which rose sharply immediately after the removal of price controls, reacted somewhat from the initial upsurge, and then resumed the upward movement to a new all-time high.

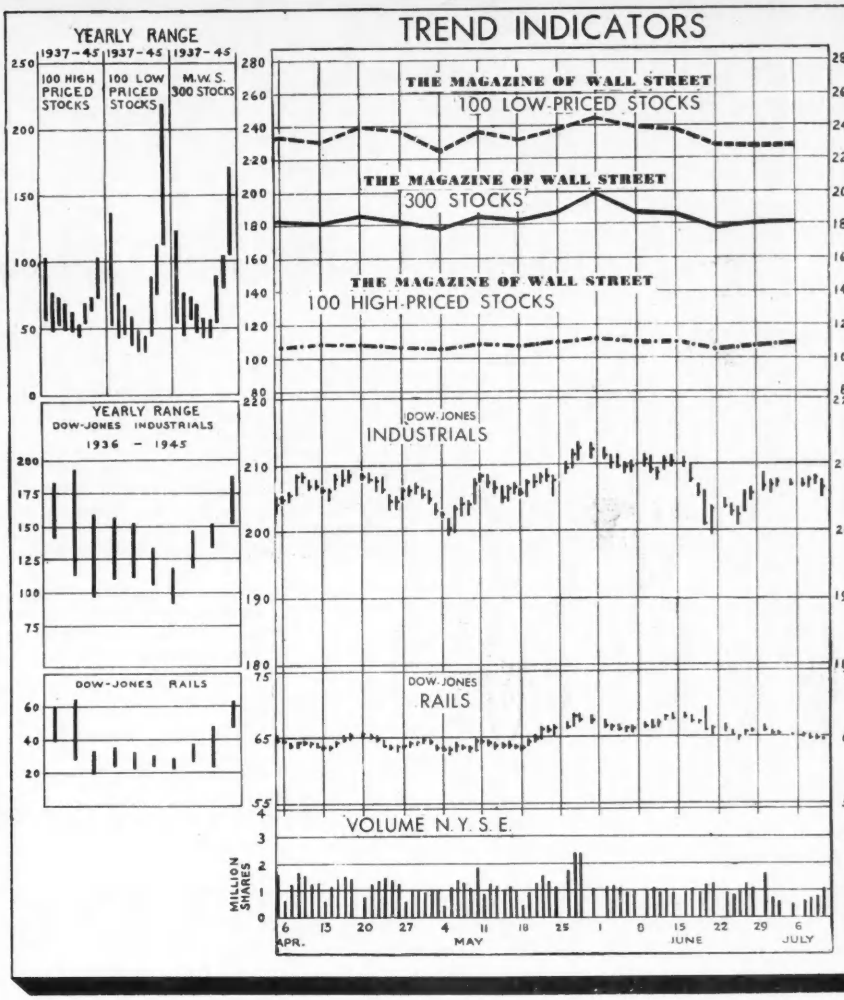


Technical Market Aspects

The market's enthusiasm over the OPA's demise was extremely short-lived, having spent itself virtually in the first hour of training on Monday July 1 when orders accumulated over the weekend were filled. Thereafter, trading contracted to the narrowest limits seen in almost two years with daily sales in the first seven trading sessions since June 29 averaging only 834,300, compared with a daily volume for June of around 1,000,000 shares. Indicative of the confusion of thought that exists as to the market's direction is the fact that in these same seven sessions, advances and declines among individual issues were almost evenly balanced; while an examination of the movements of the different industrial group classifications composing the Magazine of Wall Street's 300 Combined Stock Average also discloses equally balanced fluctuations. Dow Theorists likewise have had some grounds for argument among themselves as to the implications of divergent tendencies on the part of the Dow-Jones Industrial Average and the Railroad Average. The buoyancy of the former had kept it comfortably above the June 20 minor trend resistance point of 200.52; but conversely, the Rails have been consistently heavy of late and on Monday, July 15, broke below the May 6th low of 63.06.

As this is written, the industrials are showing disappointment over the failure of the rails to join company with them, and, temporarily, at least, have decided to follow the latter in their downward course. Both the major and the intermediate trend line formations

are shaping up poorly, and the immediate action of the market signals the same hesitation evident elsewhere. While citing the passive influences at work in this market it might be well to call attention to one dynamic indication disclosed by the accompanying chart depicting "margin of support" for stocks. Perhaps, in a way, this too is a further reflection of evenly divided opinion among buyers and sellers, which receives fullest expression now that trading is on a cash basis where judgment rather than necessity dictates market action.



Market Perspective

In this fifth year of rising stock prices the market, as measured by the Dow-Jones Industrial Average, made very little progress notwithstanding that some individual issues did exceedingly well. From the time when the bull market first started in April, 1942 to the end of that year average industrial prices rose 28.6 per cent; in 1943 they registered a 13.8 per cent gain, followed by a 12.0 per cent rise in 1944; and finally in 1945, they added 26.6 per cent. Since the first of this year, however, the net increment has been only 6.9 per cent which seems to reflect somewhat harder going—to use a colloquialism.

Margin of Support Narrowing

Action of the market toward the end of the week gave some vital clues as to its technical position. Selling, which started Thursday and was accelerated Friday, was accompanied by somewhat heavier volume and narrowing of margin of support. Turnover for the week aggregated 4,478,000 shares, compared with 4,501,000 shares in the previous week. Of particular interest is action of the rail average, which has been declining almost without interruption since June 27, and whose low-point Friday was 1¼ points under its June bottom.

Losses were also scored for aircrafts, airlines, coal mining, communications and gold mining groups. Gains were concentrated mainly in the amusements, baking, dairy products and food brand issues.

The market on Monday, July 15, therefore took its cue from the trends which were becoming apparent toward the end of the preceding week, and sold off sharply, the industrial average finishing at 200.86, off 3.34 points. This, it will be noted, is precariously close to the previous low of 200.52 and provides a real test for the market in the period directly ahead.

What is most significant is that the rails continued their downward course in the same session, closing at 63.04, off 0.83 from Friday. Utilities, too, were prominent on the downside, finishing at 40.45, down 0.88. Thus, Monday's decline was a really general sell-off, in which all three major groups participated, and which was felt in most industrial subgroups. Probably the only favorable aspect was the fact that volume continues to be moderate on the downside. The margin of support, which had been steadily contracting, has now been eliminated, with the crossing of buying-selling pressure lines.

Summing up, it may be stated that the market, as a whole, has not performed badly, considering the orderly manner in which it yielded ground in its steady retreat, but selling forces are predominant just at the moment.

Technically, the market now stands just about where it was prior to its February break, but selling pressure thus far is nowhere comparable to that which preceded the latter decline. However, the eliminated margin of support is a definite warning signal, and cautions against further accumulations at this time. Until a clear-cut indication of the immediate trend is given by the market, present commitments should be held intact.—Monday, July 15, 1946.

Photo by Press Association

Prosperity depends vitally on the buying power of the people, and their willingness to translate this potential into goods and services. But buying power is made up of various elements, including savings, income, and consumer credit.

Reappraisal of . . .

TODAY'S BUYING POWER

By W. C. HANSON

IN EVALUATING the business outlook for the next year or two, the question of purchasing power is of paramount importance. It is almost axiomatic that the vitality and duration of prosperity depend upon the buying power in the hands of the people, and their willingness to translate this into goods and services.

What Makes Buying Power?

Effective purchasing power may be said to include current income, savings and credit. Savings represent a portion of *past* income, while credit is a claim against *future* earnings. At the present time, the savings portion of the equation is receiving much attention, because it is out of this backlog that much of the future buying boom is predicated.

Through the wartime boom in employment, payrolls and corporate earnings, the backlog of savings was greatly augmented and rose to unprecedented levels. There are many ways to measure the extent of such savings, and it may be noted, in passing, that the apparent discrepancies in figures issued from various sources reflect the different methods used for computation. One of the most widely used figures is the Federal Reserve Board's estimate of personal liquid assets of $129 billions (at the close of 1945) compared with $50 billions on hand at the beginning of the war. The net differential of $79 billion, of course, represents wartime savings.

What all this means in terms of effective purchasing power was brought out quite dramatically in a survey, recently published, which the Bureau of Agricultural Economics had undertaken on behalf of the Federal Reserve. Much comment has appeared in the financial press on the results of this survey, but one feels they should not be overemphasized one way or the other. They tell a story —and a very meaningful one at that—but there are other elements, too, which must be taken into account in order to obtain a full picture.

The survey elucidates the fact that the nation's 46 million families held approximately $81 billions of "liquid" savings at the end of 1945. This figure, it will be noted, is at sharp variance with the $129 billion estimated by the Federal Reserve. However, this is due to the fact that the two estimates cover

somewhat different items; the BAE's survey, for example, includes only individuals' bank deposits and U. S. Government bonds, but excludes currency on hand and certain other items.

Bulk of Savings in Relatively Few Hands

But the really significant contribution of the survey is what it brings out with regard to distribution of savings. Savings are concentrated heavily in the upper and middle economic classes. The top 10 per cent of the income groups, holds roughly 60 per cent of the savings, averaging $10,500 per family. On the other hand, the bottom 40 per cent owns only 1 per cent, or approximately $40 per average family. In between, the broad middle class, comprising 50 per cent of the population, accounts for only 39 per cent of savings, ranging from an average of $700 in the "lower middle" class to $2,350 in the "upper middle" group.

While these figures must be qualified to some degree, they nevertheless give a hint as to the pattern of future business. The qualifications that must be made are that they do not include cash on hand, life insurance policies, investments in one's home, non-Government securities, or other items constituting a savings reserve. Thus, the *real* purchasing power of the various groups is considerably higher than the average figures would indicate, *but the proportions of savings held remain the same.*

Such a concentration of savings, while impressive and important, should really surprise no one, because wealth has long been concentrated in the hands of the relatively few. While the great mass of the population enjoyed substantially higher wages during the war boom, their gains per family were nowhere comparable to those in the upper income brackets, most of whom profited through business ownership, management or through capital appreciation, as in securities and real estate.

Such a concentration of savings, while impressive same token, were the lower income groups as able, relatively, to conserve as much of their enlarged income. Rapidly mounting prices for food, clothing, shelter and other necessities erased a large portion of their income gains, and while tax rates were less drastic, percentagewise, than for the top brackets, they also prevented conservation of much of the wartime gains.

Effect on Business Outlook

What does such a savings pattern imply for the business outlook? In the aggregate it represents a healthy backlog of consumer buying power, but the thin reserves of the average low-income family, on whom the mass market depends, constitute a warning signal. It shows that the buying power backlog for the mass market rests upon comparatively shallow foundations. Just how effective this than margin will eventually be depends on various other economic developments in the next few months, chiefly, price trends, industrial activity and labor relations.

Probably most important at the moment is the mounting cost of living. The inflation which has been gathering impetus since the start of the war is now gaining momentum, and will be further accelerated to some extent in the months directly ahead. It is no longer a question of what OPA or other controls might have done; the fundamentals making for rising prices are present, and are too potent to be remedied by mere legislation.

But as prices continue to rise, the savings referred to will depreciate in proportion. Thus, the meager savings in the hands of the lowest income groups can be largely eradicated if prices spiral very acutely. Such a prospect does not seem too likely at this writing, and we adhere to the belief that the general price level by the year end will be from 10% to 20% higher than at June 30 last, whenOPA expired. But even a boost of such proportions means a corresponding diminution of savings in the hands of the public. And the group that will be hardest hit is the one least able to afford it, or to protect itself—the low-income, low-savings part of the population. Moreover, rising prices would mean a corresponding decline in *real wages* received by this group, and might touch off a new wave of wage demands.

Because of the lopsided nature of our population's spending power, any real business recovery from here on must rest upon current income, supplemented by credit purchases. This can only be realized through a high level of production, whereby goods would be turned out in sufficient volume so as to satisfy demand, and, in so producing, by creating new purchasing power through well-sustained payrolls. Upon this contingency rests our whole hope for any semblance of prosperity.

Watch Payroll Trends

The coal and steel strikes earlier this year took a heavy toll in current income, through loss of wages, and a consequent impairment of buying power. Had the work stoppages lasted much longer, they might have been disastrous to the national economy and possibly would have aborted economic recovery altogether. As it was, the effects of the strikes will require months to overcome. However, manufacturing activity since termination of the strikes has shown substantial recovery, and further improvement should materialize in the months ahead, barring renewed labor strife or similar contingencies.

This should be reflected in a high level of employment, and, consequently, in a good volume of factory payrolls. According to the latest official figures—which, unfortunately, involve a time lag of a few months—there were some 10,982,000 workers in the manufacturing industries last April, out of a total labor force of some 56,900,000 persons. This compared with 13,356,000 industrial workers in April, 1945, when the war was still in progress, and 9,983,000 last February, when strikes and reconversion had resulted in substantial work stoppage and layoffs.

Accordingly, total wages and salaries paid out in

April, 1946, aggregated $8,425 million, compared with $9,560 million a year previously, and $8,041 million last February. Such payments are close to record highs, and their significance can best be grasped when it is realized that they are about twice as high as corresponding payments for the banner year of 1929.

Good Farm Income Indicated

In any consideration of national purchasing power, due consideration must also be given to the trend of farm income, a very important segment of our domestic economy. Cash farm income for April —the latest month reported—stood at $1,547 million, as against $1,570 million a year previously. About 10% of such income was derived from Government payments, the balance coming from crop marketings. Thus, even with elimination of subsidy payments, farm income still would be substantial, with income from non-Government sources approximating 2.7 times the 1935-1939 average payments received by farmers.

Still another factor to be considered in evaluating total buying power is the installment credit factor. It is significant, therefore, that consumer credit has expanded sharply in recent months, and is rapidly returning to pre-war levels. During the war, consumer buying was largely on a cash basis, with less recourse to borrowing or extension of credit. More recently, however, buying on credit has increased somewhat more than buying for cash, and, in addition, cash expenditures have been financed to an increasing degree out of borrowed money.

There have been several reasons for this shift. One important factor has been the renewed emphasis upon consumer durable goods, which will have an increasingly important bearing from this point on. As products like refrigerators, automobiles, washing machines and other appliances become more generally available, their purchases will be financed on the installment basis customarily used with these items. Another reason for the rise in consumer credit is the greater tendency on the part of sellers to extend credit terms, and the alacrity with which buyers are willing to mortgage future income to accept such terms. In short, it reflects increased confidence on the part of both buyers and sellers on the immediate business outlook. Consumers, as a group, are looking ahead to continued current income, while merchandisers are optimistic on their customers' ability to meet payments for the months directly ahead.

Slower Rate Of Savings

Some indication of what consumers are doing with their savings is contained in the quarterly report just issued by the Securities and Exchange Commission. This survey shows that liquid assets in the hands of individuals increased $2.9 billion in the initial quarter of 1946, compared with an increment of $8.7 billion in the final quarter of 1945. They had reached their peak last year in the third quarter at $10 billion, which slightly exceeded the $9.8 billion figure for the second quarter.

The latest rate-of-savings figure is the lowest since mid-1941, and is attributed to the drop in income during the first quarter, as well as to seasonal influences as compared with the final quarter of 1945. It also reflected a sharp decrease from the high wartime earnings in proportion of income saved. In other words, the rate of savings is rapidly being "reconverted", so to speak, from wartime to peacetime proportions, a situation bound to develop sooner or later, and quite a logical occurrance at this time.

Details of the latest report are interesting in that they portray certain underlying trends. During the period under review, individuals (which includes unincorporated business) added $1.5 billion to their banks deposits and their holdings of cash, and $700 million to their investments in U.S. Government securities. They also added some $800 million to their holdings in private insurance and another $800 million to their equity in government insurance. Their investments in savings and loans associations were augmented by some $200 million.

But at the same time, they also increased their mortgage indebtedness by $400 million and their consumer indebtedness by $200 million, and drew down their holdings of securities (non Government) by about $600 million. The latter decline in non-Government security holdings is attributed to the large net retirements of corporate obligations from the investment markets and, consequently, from the portfolios of many individual investors.

When the home building program gets under way on an appreciable scale, this will introduce new demands for credit financing, except that the credit will be long-term, as contrasted with short term credit of the department store type.

Thus, the over-all picture on purchasing power boils down to about the following situation: Savings are huge, but are heavily concentrated in the upper and middle income groups. This means that a great mass of the buying public has only thin buying *reserves*, but their current income is more than twice their 1929 peaks, and should be fairly well sustained for at least several months. This, plus installment credit, should finance future consumer buying from this point on. Farm income should hold up well for the rest of this year, giving the farm buyer good purchasing power.

On balance, therefore, aggregate purchasing potentials appear very good, and could stimulate business for some time to come—possibly another six months to a year. But this favorable prospect is contingent on sustained production, and a minimum of labor upheavals. If anything should happen to curtail consumer incomes, or if prices should rise so sharply as to cause a decline in real wages, buyers would be dependent upon their accumulated savings. In such eventuality, there does not seem to be enough buying power to justify the many predictions which have appeared on huge future sales of radios, refrigerators, automobiles, new homes and the countless other items which are competing for the consumer's dollar.

Varying Impact OF SHORTAGES

—On Individual Companies

Photo by Ewing Galloway

By KENNETH WYNNE

PERHAPS ONE OF THE GREATEST single deterrents to industrial revival has been the existence of shortages in widespread lines of business caused by various conditions stemming either from war dislocation, or its aftermath of labor troubles and pricing discrepancies. So far-reaching are these deficiencies that there is scarcely a manufacturing company that has not suffered an interruption of its own schedules because of the inability of some interdependent supplier to furnish a needed item quite often only incidental to the merchandising of its own product. Paint manufacturers, for example, were recently faced with the necessity of curtailing operations, not for lack of color pigments and mixing vehicles, but because of a shortage of cans and labels. The scarcity of these was in turn a reflection of our low level of tin supplies and the dearth of special types of paper—itself an offshoot of the unsatisfactory pulpwood situation.

Component Assemblers Hard Hit

With this condition as general as it is, those companies manufacturing products involving many component parts are the ones most seriously affected in the long run for the reason that all of the maladjustments existent elsewhere eventually crystallize at their own production and assembly lines with differing degrees of time lag. Thus, manufacturing units in such industries as electrical equipment, building constructon and automotive lines may be expected to have the greatest difficulties in maintaining their own production schedules.

Quite aptly, the Civilian Production Administraton recently called attention to the fact that settlement of a strike in a basic industry, such as steel, coal or transportation, does not result in an immediate increase in the flow of finished products of other industries. In the case of the General Motors strike, for example, where the break in production occurred at the end of the pipeline of goods-in-process, the assembling of automobiles stopped immediately, and in turn was resumed very shortly after the strike was settled. But when the break occurs near the beginning of the line—in soft coal used to make pig iron and steel ingots for rolling into sheet steel—there is an interval before finished products are affected as materials in inventory and work-in-process are first used up. The full effects of these basic strikes, therefore, may be felt considerably later by companies faced with the necessity of restoring their material reserves depleted while the strike was in progress.

Critical Shortages In Some Cases

Some idea of how fundamental this lack of essential materials is may be gained by studying the list of products included under Priorities Regulation 28, as amended June 5, 1946 by the Civilian Production Administration. The condition with reference to these items is defined by that bureau as in such tight supply that they are a *serious threat to the national economy.* It does not require much imagination to conclude that this is true since almost all industries in some way or another are dependent

Some Companies With Improving Supply Factors

	Earnings Per Share Fiscal Year 1942	1943	1944	1945	Interin Earnings Per Share* 1946	Dividend Record Per Share Year 1944	Year 1945	Indicated 1946	1946 Price Range High	Low	Recent	Price Earn. Ratio	Curr. Yield†
Catalin Corporation	$0.18	$0.15	$0.36	$0.36	$.29	$0.25	$0.30	$0.40	21½	13⅛	21	58.5	1.9%
Crown Zellerbach	2.86	2.13	2.19	1.97	1.74(c)	1.00	1.00	1.10	40¼	29	34½	17.5	3.2
Dow Chemical	7.14	6.35	6.34	6.02	3.61(e)	3.00	3.00	3.00	192	143½	180	29.9	1.6
International Paper	1.75	2.07	2.09	2.10	1.65	....	....	2.00	53¼	39¾	47	22.4	4.3
Monsanto Chemical	3.75	3.56	3.30	3.49	2.21	2.25	2.25	2.25(a)	178	116	167	47.9	1.3
Union Carbide & Car.	3.67	4.13	4.07	4.08	1.13	3.00	3.00	3.00	125	98¾	113	27.7	2.6
West Va. Pulp & Paper	2.05	1.86	1.80	1.63	2.18(b)	1.00	1.00	.90	53¼	35¼	48	29.4	1.9

(a) Includes $0.25 year end extra. (c) For 9 mos. ended January 31. * For 3 months ended March 31, unless otherwise indicated.
(b) For 6 mos. ended April 30. (e) For 9 months ended February 28. † Based on Indicated 1946 Dividend.

upon these materials. The list includes the following: asbestos (cement siding, shingles and flat sheets); asphalt and tarred roofing products; building board (wood pulp, fibre, pressed paper); castings (malleable iron and gray iron); cast iron soil pipe; clay building products (common and face brick and structural tile); coal (coking coal, bituminous and anthracite); concrete building products (cement brick); copper and copper products; gypsum board and gypsum lath; lead; lumber; motors (electric, fractional horsepower); pig iron; plumbing supplies; plywood (softwood); pulp and paper; pulpwood; steel (electrical high silicon sheet); tin and tinplate; veneer (softwood); and wire (copper magnet) and many others.

As an example of an industry exposed to scarcities in a multiplicity of contributing supply lines, the electrical equipment manufacturers are a good case in point since production of these is well-nigh chaotic by reason of strikes and shortages. So bad have inventory conditions become that reports from the industry indicate a 50 per cent drop in output for nearly all plants with many planning temporary closings. Among the essential materials in inadequate supply are copper, iron and steel, brass and bronze, silver, nickel, nickel-steel, lead, mica and porcelain. The latter, used for insulators, is scarce as a direct result of the coal strike. Such difficulties have virtually brought the production of fractional horsepower motors to a standstill which, of course, ultimately retards the output of manufacturers of electric washing machines, fans, vacuum cleaners, oil burners, and mechanical refrigerators, toasters, among others.

Of even greater significance from the standpoint of our national economy is the crippling effect of these widespread shortages on building construction. It is axiomatic that a sustained level of building activity is a most beneficial economic force without which full peacetime prosperity can hardly be achieved for any extended period. Today we face the most serious housing shortage the nation has ever known and the potential demand for new homes would be enormous were labor, materials and price considerations only mildly favorable. But the sad truth of the matter is that they are practically prohibitive and even much needed marginal building is accomplished only under the most difficult circumstances.

Shortages Hit Home Building

Instead of showing the previously anticipated growth, residential construction in recent weeks has actually declined, and building projects approved by both the CPA and FHA with proper material priorities are being held up because of shortages in raw materials, equipment and skilled manpower. The outlook, moreover, is not too hopeful for the reason that the scarcities are not confined to any one, or two, essential items. They include, for example, a shortage of common brick where some producers are anywhere from three to ten months behind in deliveries on rated orders (those with material priorities) and where only indefinite delivery dates are obtainable on unrated orders (those approved by the Government but without priorities.) Bathtubs, too, are high up on the critical list with deliveries months behind and with material production in May off to 78,000 from 91,000 in April. There is a particularly bad situation confronting manufacturers of structural clay and wall tile who, despite willingness to pay record wages, are unable to recruit labor for such essentially unpleasant work. On the other hand, lack of production equipment constitutes a most serious factor in the output of asphalt tile where demand is estimated at three times production. Similarly, lumber production was retarded by inadequate logging and milling equipment, as well as woods labor; while concrete blocks were in poor supply because of shortages of electric motors, gravel and crushed stone. Clay sewer pipe production was hit by the coal strike.

Few people stop to consider that building depends on the even flow of a large number of products starting from the mines, forests, quarries, and other basic sources of supply. In some cases it takes months for these products to be transported, fabricated and prepared for the erection, or assembly, of a building or home. One such item—and one of the first to be needed, because it is required on the job with the de-

livery of foundation and other initial construction materials—is cast-iron soil pipe usually embedded in the concrete floor and sealed in the wall of the home or building. Prior to the war there were some 52 manufacturers of soil pipe and soil-pipe fittings. The number gradually tapered off until only 28 were left in 1945, and production dropped off from 565 thousand short tons in 1941 to 165 thousand short tons in 1944. During this low-production period workers moved to other industries, and employment steadily dropped from approximately 11,000 workers in 1941 to 4,500 in 1944, composed mostly of over-age and inexperienced help. Inventories, by the middle of 1944, were practically depleted except for small amounts unbalanced as to quantities and sizes.

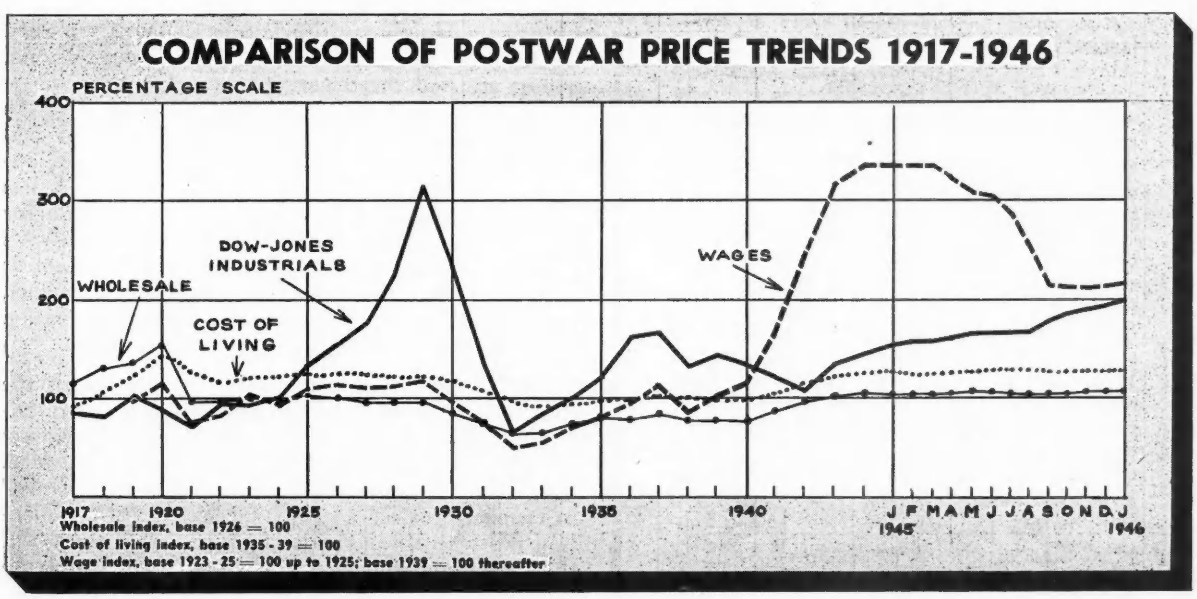
Realizing the seriousness of the situation, the WPB, the WLB, the OPA, and the WMC together with other interested Government agencies combined to bring about increased wages in the industry, and much-needed price adjustments; and granted producers priority assistance for capital equipment and production materials. The result was that more producers resumed operations (it has been reported that 41 companies are now operating), employment jumped to over 6,000 persons and national production estimates rose sharply. They are still below demand estimates, of course, but what happened in this situation indicates what can be done if concerted action is taken in time.

As we indicated earlier in this article the existence of shortages is widespread and their full cumulative impact may be expected to fall heaviest upon those companies dependent upon a wide range of contributors of parts. Eventually, of course, these difficulties will resolve themselves with the aid of more realistic pricing and labor policies; but progress may be painfully slow and in the meantime corporate earnings will suffer with possible adverse effects upon the prices of industrial stocks. Conversely, those companies which are relatively free of supplier problems should experience the simplest solution of their own problems. Undoubtedly a comprehensive study of industry would disclose quite a few of these but for the present there are two that come to mind.

Paper and Plastics Supplies Improving

One of these is the paper industry where supply is rapidly catching up with demand and may equal it by the close of this year. Foremost among the factors responsible for this improved situation are an expansion of plant capacity, which may reach an additional one million tons this year; and a growing supply of labor, both in the woods and in the mills. Recent production has been at an annual rate of 19 million tons as against 18.3 million tons in the first quarter and taking into consideration the two influences just mentioned the industry should be on a 20 million ton basis by 1947. Meanwhile, substantial imports are expected from abroad including 600,000 tons from Sweden and 50,000 from Finland; while waste paper collections are mounting rapidly to a point exceeding peak war year receipts.

Remembering the demoralization of the paper market that followed conditions of over-capacity in the early 20's, some concern has been expressed with reference to the present expansion trend but most observors feel that any real danger of oversupply is several years away. Manufacturers of paper products, therefore, are experiencing relief from the standpoint of supply and it seems probable that they will shortly institute higher prices for white paper, newsprint and kraft paper to equalize the advance already granted woodpulp suppliers. Hence, with supply, labor and price (*Please turn to page* 479)



Happening in Washington

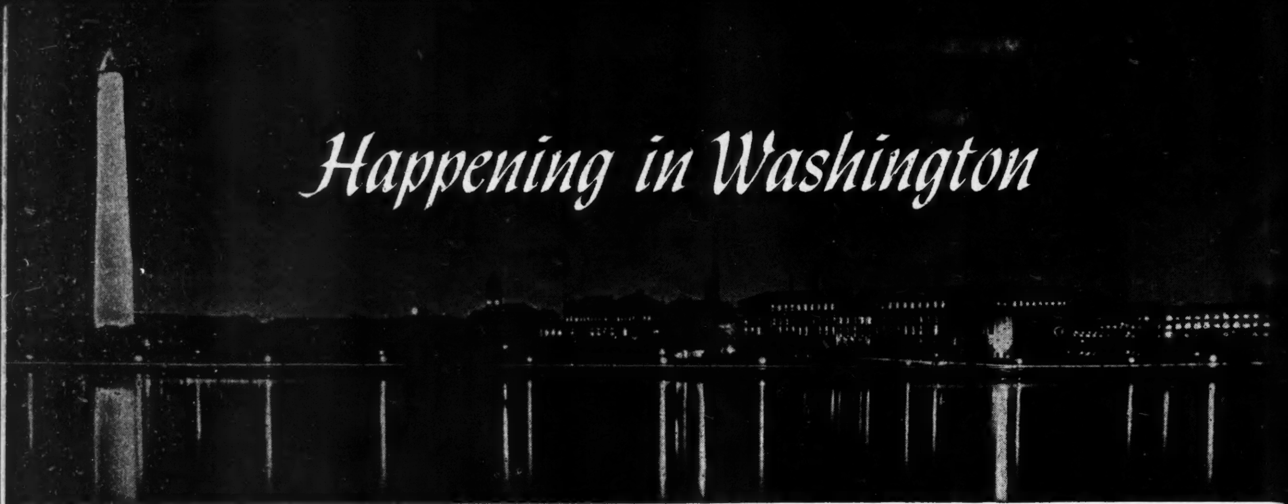


Photo by Cushing

By E. K. T.

INSURANCE COMPANIES are becoming aware that many of the national programs of recent creation are based upon insurance—and they did not originate the systems. This awareness became more acute when national attention was focused on Washington during the soft coal mine dispute revolving about health and welfare benefits for miners which is, of course, a type of insurance. Medical and hospitalizations plans (Blue Cross alone has more than 20 million members enrolled and takes annual dues of 150 million dollars) likewise came into existence outside the old-line companies, and there are millions of dollars of national insurance in the hands of war veterans. Safe bet is the companies will retreat from conservatism.

WASHINGTON SEES:

There is a tendency on the part of political analysts to cite results of Minnesota's republican senatorial primary as proof that isolationism is dead and that the Presidential prospects of Harold Stassen are very much alive—and to let it go at that. A strong case can be made out for those conclusions but there are other factors which deserve evaluation.

In sports page parlance, Stassen has batted only .500. Defeat of his candidate in Nebraska was a blow of such weight as to move the same analysts to declare an added reversal in Minnesota would totally remove him from the Presidential lists. He's riding high today; but he must not go to the well too often.

Gov. Edward J. Thye who took the measure of Senator Henrik Shipstead in Minnesota, swept in on a wave of personal popularity. Issues played a small part. Stassen's backing, furthermore, brought to Thye the benefits of an organization which had elected its leader to the State Capitol, put him forth in 1944 as a Presidential "favorite son" and knew intimately, and proudly, his war record. Shipstead suffered the disadvantages of long absence from the state on public business, lack of machine support, and a political philosophy that hadn't kept step with the march of time. The results helped Stassen along the political road, but the primary was hardly a decisive test of his strength. Other personalities figured too prominently for that.

STANDARDIZATION of military planes and interchangeability of parts are being stymied by the State Department's refusal to sanction export of military types. Likewise, sale and removal of much surplus craft is being delayed. State Department takes the position export would run counter of this nation's commitment to work for worldwide military force, under the terms of the United Nations Organization. War Department is boiling. The military arms say other UN members aren't so meticulous in observing the charter and if that trend continues this country might find it necessary to scrap much material, begin meeting standards of other nations.

PUBLIC OWNERSHIP advocates don't like the attitude of the House Appropriations Committee toward Tennessee Valley Authority. The congressional group has had the temerity to suggest that now—about 15 years later—it's about time for TVA to begin paying back the federal investment of 500 million dollars which went into the regional development. The committee has gone even farther, has asked that the next budget include a schedule for 40-year amortization of the "loan." Under TVA's peculiar legislative setup, such a pay-back cannot be enforced. But to refuse, say committee members, would be to set back the trend to public operation of utilities immeasureably.

CHARITY begins at home, seems to have been the controlling impulse of Congress as it neared adjournment of a session which was marked by very little general legislation but by some specific bills. There was, for instance, the increase in "allowance" to members for office operation and the reorganization bill with its pay-raise feature. And there was the special act which saved out of the OPA destruction heap, the rent control bill for the District of Columbia—where most congressmen live!

AS WE GO TO PRESS

Looking below the surface of Washington happenings, one sees definite signs that Harry S. Truman will run for the Presidency or at least that his party's high command thinks he will. If that weren't so, recent events would have supplied the hop-off point for some very direct "talking back" to the White House.

Veto of the Case Bill was followed only by a rustle of outspoken resentment on the part of democrats who put that measure across — and that means much of the Southland. Veto of the price control bill found similar results.

Senator Alben Barkley, democratic leader, and Speaker Sam Rayburn, who shepherds the democratic votes in the house, were "let down" in both instances. There is no reason to suppose, particularly in the case of OPA, that they expected a veto. They had talked with Mr. Truman at the White House, went directly to Capitol Hill and personally pleaded for party strength for the "best bill that can be had now." Then followed the veto.

Noteworthy is the fact that Barkley has had the courage to refuse to "go along" on other occasions. But in those instances, election day was far in the offing. Now it is nearing; the half-way mark for the national balloting has been passed. If the party's plans did not include a ticket headed by Mr. Truman, Barkley and Rayburn would have blasted the veto which left them holding the bag.

Organized labor, not the democratic party leadership on Capitol Hill won a victory in the veto. The President as a potential candidate for the highest elective office was a minus quantity after he killed the Case Bill. A democratic nominee from whom the labor vote has departed just doesn't count in the advance analyses.

The President recovered much of his prestige with the union leaders when he shelved the emasculated price control bill. Of course he signed the Hobbs Bill which labor definitely doesn't like but by so doing he appeased congressmen who were determined to have "some labor legislation." It can be put down as a certainty as of today that no additional elements of the omnibus labor-management measure will go through this year.

Sociologists and economists have developed tortured reasonings for the rise and fall of demand among congress members for positive action to wipe out real or imagined abuses in the field of organized labor. Fact of the matter is the subject has been debated out of the realm of possible compromise. Said one bucolic congressman: "The 'labor issue' reminds me of Mark Twain's comment about the weather: everybody talks about it, nobody does anything about it!"

Rep. Clare Luce of Connecticut, currently is the Capitol's political enigma. The glamorous, hard-hitting lawmaker from New York's borderline has been anything but evasive with Washington newsmen. In fact she's one of the most outspoken members of congress. And what makes it strange is that almost no political writer here expects her to retire from the political scene this year although she has several times reiterated such is her purpose.

Correspondents have her definitely pegged for the republican senatorial nomination. And they mark her down a winner despite the fact that they have already selected in their calculations, Chester Bowles as the opposing candidate, and Bowles has picked up tremendous rank-and-file support in recent weeks.

Never before a political office candidate, Bowles stands out much the same as Wendell Willkie did in 1940. Bowles can have the Connecticut senatorial nomina-

tion without lifting a finger. The state organization is pleading with him to take it, Senator Brien McMahon of his state will support him, and organized labor is in his camp. But the retired Director of Stabilization has tangled with Clare Luce in Washington and didn't develop a taste for more. He'd rather make the more peaceful run for Governor.

First reaction on Capitol Hill to Treasury Secretary Snyder's opening declaration on the subject of federal taxes was one of opposition. The new Treasury chief projected — not for this year but for next — a system of taxation which was not for revenue alone but also looked to the collateral purpose of holding back inflation.

Brakes on debt retirement, by withholding from such use surplus money now available, is an immediate step by which Snyder evidently intends to fight off the upward spiral. Suspicion among newspapermen attending the conference at which Snyder commented was that he might be "carrying the ball" for others; that his talk of higher taxes to come could be related to the debate then raging on firm price controls.

How to buttonhole your congressman, in one easy lesson, was vividly demonstrated this month to "students" of the School of Political Action which met here, then descended upon Capitol Hill and bewildered members of congress. The students had been carefully primed on several live issues before giving the lawmakers a sample of what they may expect in the home districts when the "field problem" is put to practical application.

Officials of the School of Political Action said it, and the sponsoring organization, the National Citizens' Political Action Committee, were non-partisan. It was not without significance, however, that the late Sidney Hillman of the CIO-PAC was listed as honorary chairman. And the super-lobby technic was described as only the primary course for the students.

After thought on the OPA hiatus was the fact that the only thing left under a controlling ceiling was the Office of Price Administration itself. Congress tied a string to OPA appropriations. Bureau of Budget was directed to re-examine the account in 30 days, reconcile and make downward adjustments as indicated. Therefore, the house slapped on a ceiling, complete with squeeze margins and cost absorption.

More politicians than industrialists will be hit by the Mead Committtee investigation of war profits if — and it's a big "if" — the government pours out its files. If there is a hold-back of accumulated facts a few of the more obvious abuses will be spotlighted and committee members will close shop, strut out of Washington as great crusaders.

The thread of official intervention in contract placement runs deep into the procurement program. Members of congress naturally, and properly, carried to the War Department the complaints of their district manufacturers against crippling manpower ceilings and sought to establish the availability of plants in their areas to handle production jobs. But it didn't stop there. As the inquiry proceeds it will be developed that the prosecution of the war effort didn't always motivate the "indorsement."

Rumblings of an impending blow-off had reached Administration ears. Senator Mead, committee chairman, is aiming at an excellent springboard to the Presidency — the governor's mansion at Albany. Actually, Mead does not regard himself a Presidential possibility, but he has been picked as the man to keep Dewey off the springboard.

The Administration is ready to pay a high price for that accomplishment. Heads that may be lopped off will necessarily be those of the outstanding democrats: republicans had little entry into the executive departments in the past dozen years. But it has been reasoned it is better for the democrats to clean house than to have it swept out by others. And kindly Jim Mead has been cast in the role of head-hunter.

Photo by Ewing-Galloway

With settlement of labor problems, rise in available labor supply and elimination or toning down of O.P.A. profitable operations in the non-ferrous mining industry for the next year seem assured

By EDWIN A. BARNES

TRADITIONALLY SENSITIVE to swings in industrial activity, mining enterprises have exhibited variable characteristics to confuse students of this basic segment of the economy. And at no time more than in the past six months have divergent forces operated to check progress on the one hand, while at the same time embellishing potentials for eventual prosperity in the mining group. But despite the current climax arisen from the battle over OPA, both polticians and all makers of durables are looking to the suppliers of essential minerals to restore production to record peacetime levels. When the air clears, as it surely will, miners are more than likely to get their full share of benefits during the long heralded period of good times ahead. It is interesting to examine the situation in the light of present conditions, for many new factors have appeared to complicate the picture.

Non-Ferrous Metals Analyzed

To discuss an industry with as many facets as mining, it is wiser to narrow the limits to a relatively concentrated group. Important to the economy as many extractive enterprises are, some of them, such as coal mining, are distinct entities competitively associated with other forms of fuels. And when it comes to metals, the mining of iron ore has largely been swallowed up by integrated producers of steel. To simplify matters, accordingly, we will restrict our discussion to the miners of non-ferrous metals, although not overlooking their newly created potentials for both supporting and competing with steel.

Since VJ Day, developments in the industrial world have thrown preliminary estimates involving production of capital goods and consumer durables to the winds. While statistics bearing upon world-wide demand for dozens of non-ferrous metals, including copper, lead, zinc and aluminum, have proven reliable, and theoretical productive capacity for these minerals has not changed, intermediate strikes among miners at home and abroad have seriously restricted output and deliveries. After six months of chaos, the strike wave hampering both producers of essential metals and their customers has finally subsided, but the march towards all-out production of durables has been drastically checked by shortage of parts. With millions of avid civilians, for example, clamoring for electrically operated appliances, it is impossible to satisfy the demand without motors, to make motors without wire, or to make the wire without copper. Expand this problem to include hundreds of items where special minerals for alloys, for construction materials, communication equipment and transportation are in seriously scant supply, and the finger of salvation and opportunity points directly at the mining enterprises.

Cyclical Rise In Operations

As all predictions of a rapidly expanding period of general prosperity involve a record output of durables, current pressure upon the miners of non-ferrous metals is unlikely to prove transitory unless the promised upsurge in prosperity comes to an unpected halt. Hence, if cyclical trends mean anything, the industry seems headed for quite a prolonged interval of above-average activity. Whether profits for individual concerns will rise substantially will depend upon the weight of many conflicting

factors currently plaguing the miners. Brand new elements of competition among various metals have arisen to cloud the picture, costs have soared in recent months, payment of Federal premiums awaits final determination, and freedom to name prices has not yet become realistic. If Government controls are eased, the path will be smoother for all concerned, of course, but that time has not yet come. Discarding generalities, also, the prospects for different kinds of metal producers and individual concerns will vary widely, as we shall point out.

That domestic mines for the next few years will be unable to meet insistent demands is shown by estimates that annual production of base metals, for example, is hardly likely to reach 1 million tons of copper, 500,000 tons of lead and 600,000 tons of slab zinc. Against this, signs are clear that consumption will approximate 1,200,000 tons of copper, 700,000 tons of lead and 750,000 tons of zinc. Thus, reliance upon imports from foreign countries will be an important factor in keeping fabricators busy at top speed. While suppliers from these sources, especially as to copper and lead, should be ample, wage costs abroad have surged upward as they have here at home, with the result that competitive costs will help rather than hinder our domestic miners.

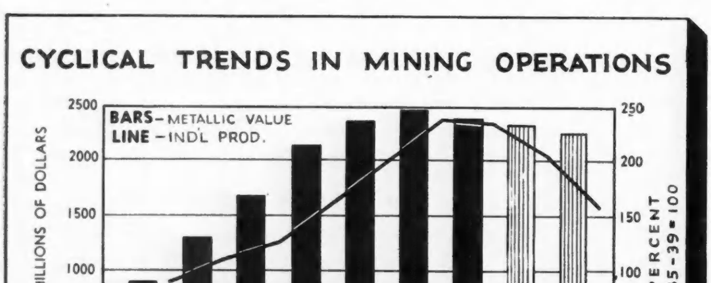
Government Stockpile Situation

Before Congress adjourns in the next few weeks for its summer recess, a final program for Government stockpiling of essential minerals is certain to be worked out, at long last giving a clue to permanent policies which will broadly affect the mining companies. For nearly a year and a half past, this problem of unbalanced metal stocks overhanging the markets has plagued producers and consumers alike. As matters have turned out, however, stockpile supplies which disrupted markets after War 1 have not proven similarly objectionable since V-J Day, as many experts had feared. Indeed, the Government has been put hard to it, in releasing to industry more than a scant portion to meet its demand for many metals; to bring Federal surplus supplies up to a desirable level promises to become a major problem. From this viewpoint, accordingly, it looks as if miners for some time to come would stand to lose little from potential Federal surpluses, although price considerations will continue to be the paramount issue for some time to come.

From another aspect, however, the Government stockpiling program soon to become effective, should tend to stabilize operations of the domestic miners if current proposals become realistic. According to the bill in its present form and as agreed by Congressional conferees, all purchases made for stockpiling purposes must be made from domestic purchasers provided deliveries can be made within one year. This will tend to assure producers an exceptional opportunity to mine at high tempo all through the year and to carry out plans for expansion, modernization and exploration on a broadened scale. In recognition, also, of the basic dependence of the economy upon an increasing output of base metals the Government plans to spend a lot of money in assisting the miners through research, covering both geology and technological improvements to equipment and methods. All in all, Government outlays during the next ten years, including acquisition of materials, world-wide surveys and other activities in the stockpiling program may reach $4 billion, some 90% of which will involve minerals and their miners. Hence the industry may stand to gain substantially from Federal assistance along new lines.

Labor Shortage Affecting Output

Chief cloud upon the horizon continues to be an acute shortage of labor, although as the economy settles down to a peacetime basis more and more workers are returning to their old jobs in the mines. After strikes lasting for months, wage settlements granting an increase of 18½ cents per hour have just about straightened out production for practically all of the big mining concerns. But essentially rough living conditions in the industry, combined with a wage scale which even after the recent boost is said to average about 93 cents per hour, make it difficult to attract much needed workers, especially as competition from populous centers at more pay is at a peak level. At that, however, the new mining wage scale now in effect seems likely to prove somewhat of a magnet for unskilled workers who prefer life in the wilder regions.



Offsetting the impact of rising wage costs in the mines, at least to some extent, not only was one of the last acts of the temporarily defunct OPA to raise metal prices, but continued payment of Government subsidies for another year has been assured by Congress, although for the time being of course OPA is powerless to implement the privilege. How this barrier is being met at the moment by some mining concerns will be discussed presently in scanning different segments of the industry. Beyond any doubt, a dual financial ad-

Statistical Position of Non-Ferrous Metal Companies

	In Dollars Per Common Share											
	Book Value	Net Current Assets*	Cash Items	1936-9 Avge. Net	1944 Net	1945 Net	1936-9 Avge. Dividend	1946-to-date Div.	1945 Dividend	Recent Price	Yield	Price-Earnings Ratio
Aluminium, Ltd.	$133.44	None	$109.00	$12.70	$14.14	$15.22	$1.06	$4.00	$8.00	$196	4.1%	12.9
Aluminum Co. of America	35.91	$4.92	16.50	3.90	5.46	2.85	.50	1.00	2.00	85	2.3	29.8
American Metals, Ltd.	47.94	16.90	19.50	2.04	1.68	1.55	1.25	.50	1.00	40	2.5	25.8
American Smelting & Refining	44.34	18.70	22.00	5.25	3.88	3.64	3.59	1.50	2.50	68	3.7	18.6
American Zinc, Lead & Smelting	12.85	6.81	1.29	def.33	.83	.54	Nil	Nil	.10	13	.8	24.1
Anaconda Copper	65.53	19.70	14.80	2.22†	3.62†	2.35†	1.19	1.00	2.50	49	5.1	20.8
Cerro de Pasco Copper	47.54	14.68	11.98	3.15	.92	1.33	4.44	1.00	2.75	46	5.9	34.6
Climax Molybdenum	28.37	9.20	7.48	3.03	3.36	2.84	2.02	.60	2.00	34	5.9	11.9
Eagle Picher Co.	21.90	11.70	5.70	.46	1.38	1.90	1.40	.40	.65	29	2.2	15.2
Howe Sound	44.13	14.30	12.38	6.29†	1.77†	1.86†	4.71	.60	1.40	48	2.9	25.8
Inspiration Consolidated Copper	26.31	5.28	4.68	.59†	1.34†	1.13†	Nil	.50	1.00	21	4.7	18.6
International Nickel	16.63	6.50	5.46	2.55	1.71	1.58	1.89	.80	1.60	39	4.1	24.6
Kennecott Copper	39.87	19.90	17.30	3.05†	3.59†	2.80†	2.24	1.00	2.50	58	4.3	20.7
Magma Copper	21.06	15.15	13.20	2.94†	.94†(a)	1.60†	2.50	.25	.50	28	1.8	17.5
Miami Copper	26.47	10.65	6.98	.42†	.96†	1.37†	.04	.25	.50	17	2.9	12.4
New Jersey Zinc	Not Reported			2.75	2.70	2.63	2.88	1.50	3.00	75	4.0	28.5
Phelps Dodge	33.15	9.55	8.80	1.45	1.60	1.24	1.41	1.20	1.60	44	3.6	35.4
Reynolds Metals	28.26	None	15.40	1.17	2.71	4.03	.79	.50	1.00	36	2.8	8.9
St. Joseph Lead	18.72	9.55	6.50	2.07	2.61	2.44	1.62	1.00	2.00	60	3.3	24.5
U. S. Smelting, Refining & Mining	82.85	.21	33.20	7.04	.73	.12	7.62	Nil	Nil	66	—	55.0
Vanadium Corp. of America	27.93	14.70	5.34	1.62	1.13	def.56	.60	Nil	.50	31	1.6	—

* After prior obligations. † Before deflation. (a) Adjusted to reflect premium price plan. def.—deficit.

vantage will accrue to many miners as a result of Federal assistance, although the effects may be spread to grant more help to small or high cost producers than to the more fortunately operated concerns, but most concerns will be the gainers.

Wage Costs In Mining

As labor costs in all mining enterprises are a dominant factor, longer term prospects will brighten if and when improvements in mechanization can be achieved. Already, and quite recently, strip mining has been revolutionized by the use of enormous portable machines which have cut costs substantially and done away with laborious and expensive tunnelling. Newly designed conveyor belts rush thousands of tons of ore for long distances to the mill. Such improvements are expensive, and attainable only by the more affluent concerns, but they point to probabilities that technology will aid in lowering costs as time passes, as well as enhancing potentials for economical extraction of low grade ores formerly considered useless. Improved methods for milling, concentrating and refining these poorer ores also is likely to be an important factor in examining earnings potentials, for ultimate utilization of low grade ores will become inescapable in view of the vanishing supplies of better grade material. Optimistic scientists now go so far as to predict that commercial development of atomic energy will benefit the miners and processors of low grade ores more than any other industry, but that is looking a bit far ahead perhaps.

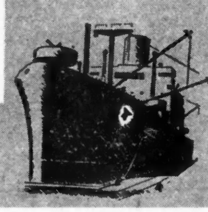
Currently the situation as to copper has narrowly missed reaching a famine status. For months past important domestic producers like Anaconda Copper, Phelps Dodge and Kennecott have been hamstrung by strikes, settlement of which has been slowed by reluctance of OPA to raise prices sufficiently to offset the increased wage demands. Production of copper in some recent months fell as low as 20,000 tons compared with 75,000 a year ago, in other words scarcely 20% of urgently needed supplies. As a result of this chaotic condition, fabricators have been unable to supply their industrial customers, seriously threatening the maintenance of the entire electric manufacturing industry, a user of almost half of domestic copper normally produced.

Final action by OPA to raise base copper prices to 14⅜ cents per pound alleviated a very serious problem, for on the heels of this move, rapid subsidence of labor troubles occurred. Release of 83,000 tons of red metal by the Metals Reserve Corporation in May and 80,000 tons more in June, while averting a near calamity, cut heavily into the dwindling stockpile held by the Government. Difficulty of relief from this direction is enhanced by the varied composition of the Federal stockpile as well as by its limited size. Special bars and shapes are required, and of more than 400,000 tons of copper lately reported in the Government pile, it is said that not more than 100,000 tons of properly formed electrolytic copper were available. True, a fortunate purchase of 100,000 tons of electrolytic copper by the M.R.C. from Chile, for delivery in June and July has helped matters, but continued strikes in that and other foreign countries plus a worldwide upward trend in copper prices will make further imports increasingly difficult. Within the past two weeks, Britain has raised the official price of copper to 84 pounds per long ton, equal to 15.13 cents per pound in U. S. currency. Hence the inflationary spiral has extended beyond our own borders. That the end is not yet in sight is shown by strike waves still in progress in Peru, Mexico, Chile and South Africa.

The Subsidy Situation

As 1946 continues on its way, the outlook brightens for domestic copper producers, for whether OPA continues or not, it looks as if Congress is preparing to grant miners about $100 million in the form of subsidies for another (*Please turn to page* 484)

Weighing WORLD PRICE *Trends*



By V. L. HOROTH

SINCE THE DRAMATIC abandonment of price control on June 30, the great question for millions of Americans has been: how high will prices go? Those old enough to remember the early 1920's are also asking themselves: are we in for another "boom and bust" period, but on a still grander scale? The average citizen is, to say the least, bewildered by the arguments for and against price control. Those in favor of decontrol insist that with the aid of unfettered private initiative a vast production will get under way, which within a year will bring prices down and end the inflation threat. The protagonists of control paint a gloomy picture of speculation, hoarding, buy-at-any price panics, and a wave of new strikes and wage demands that is sure to bring on vicious spiraling of prices and costs. Meanwhile, the businessman, not knowing what the chances of the reimposition of price control are, is in a dilemma. He is hesitant about buying, for fear that ceilings will be put on his product after he has paid high prices for the necessary raw materials. He is equally hesitant about marking up prices only to mark them down again in a week or two.

Inflation After World War I

It is only natural that people, producers and consumers, look to the past and to the experience of other countries for guidance in the present price dilemma. Experience with the secondary inflation after the First World War bears out the arguments of those who favor price decontrol. While the price rise at the time —it was nearly 30 per cent in the United States and 35 per cent in Great Britain—hit the pocket book of the average consumer, it speeded up reconversion and stimulated production so much that in less than a year and a half after the armistice, the seller's markets in leading international commodities began to change to a buyers' market. One of the most dramatic shifts occurred in the silk market when people stopped buying silk shirts. The drop in silk prices led to a financial panic in Japan in March 1920; in turn, Japanese textile mills cancelled cotton orders here, and other prices began to tumble. Gradually, buyers' resistance developed, and by the Fall of 1920, wholesale prices were declining not only in the United States, but abroad as well.

As regards the experience with price behavior abroad, there is little to draw upon, principally be-

Wide World & Acme

Prices are of paramount importance in every country with conditions of food scarcity prevailing throughout the world. Every family is directly affected because the basic necessities of life are involved

cause no comparable situation has developed anywhere, except perhaps in Colombia where price controls—applied on a relatively small scale compared with the United States—were abandoned a few months after V-J day. But, possibly because there were no adequate supplies of goods at hand, Colombian prices shot up considerably, and price control was reimposed early this Spring.

Price Trends Abroad

If any kind of conclusion can be drawn from the behavior of prices abroad, it is, as the accompanying master table will show, that prices in individual countries have been moving "every which way" since the armistice. To give a few examples, in the six months between August 1945 and April 1946, French prices advanced over 32 per cent, Australian prices remained unchanged, and in Switzerland they dropped about 5 per cent. The lack of any kind of pattern in price movements and the great spread between the price levels of individual countries merely reflect: (1) the difference between the supply of goods and the demand, (2) the differences between the extent and the effectiveness of price controls, and (3) the difference in the people's attitude toward controls.

France and Norway provide good examples of how the price levels and trends may be affected by the people's attitude, government policies, and price control effectiveness. In both countries there was serious destruction of productive facilities; both of them were left with a vast amount of redundant paper money, and the people in both of them had to get along on about equally low rations. Yet the French prices are today nearly 350 per cent above 1939 and still rising, while in Norway prices advanced only about 70 per cent by August 1945, and have declined since by 7 per cent. In Norway, the Government carried out a drastic currency reform soon after the liberation; the excess purchasing power was blocked off, subject to war tax or capital levies, and since the people have had very little extra money to spend, black markets have been practically non-existent. At the same time, the Norwegian Government imposed strict control *over both prices and wages*, and has been seriously trying to bring the budget into balance.

In contrast, in France no real currency reform has been carried out which would have frozen, at least temporarily, some of the excess purchasing power. On the contrary, the trebling of wage rates and heavy deficit financing have continued to generate additional purchasing power—faster than goods could be produced or imported. To make matters worse, the French price control has been among the least effective in Western Europe. The official rations have been so unreasonably low that everybody has been forced to resort to the black market for at least a part of his needs. In the last two or three months, however, between higher prices and larger supplies of goods, the excess purchasing power that fed the black markets has apparently shrunk somewhat, because black market prices have been declining.

Central European Prices

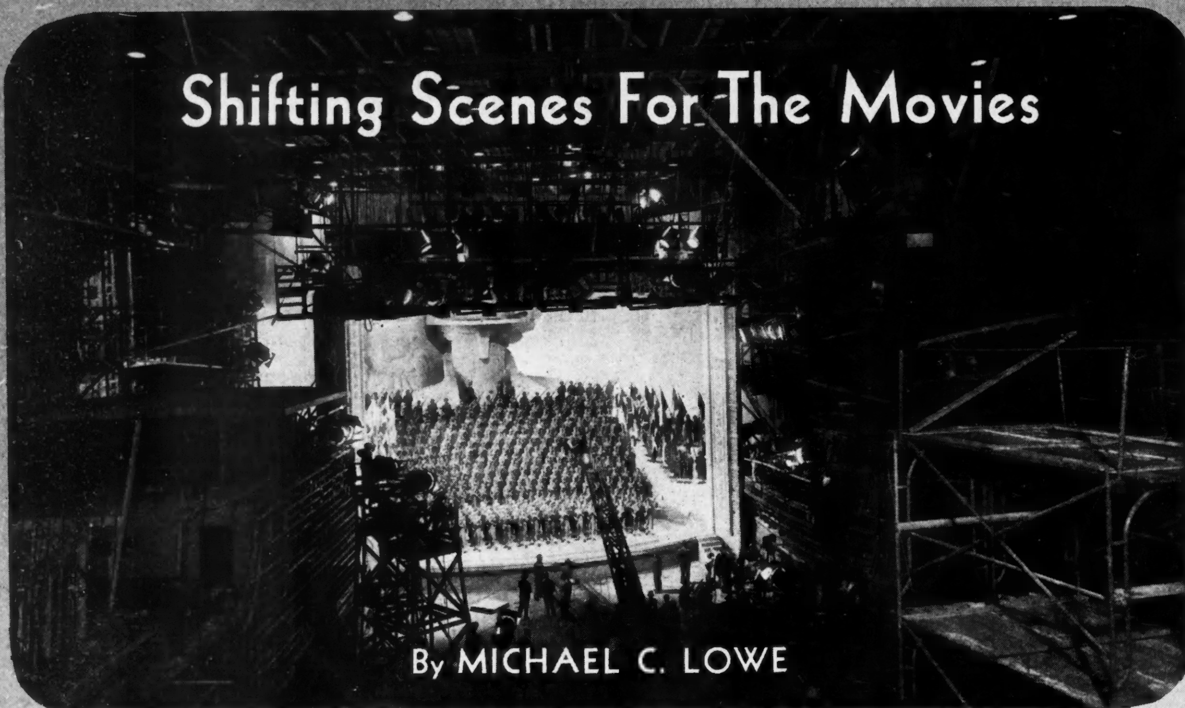
Another example of price behavior has been provided by the experience of *Hungary and Austria.* Here again were two countries in roughly similar circumstances. Both of them were overrun by the fighting armies and both had a considerable part of their productive capacity destroyed. In Austria, the great bulk of currency and deposits were frozen following the currency reconversion operation carried out last Winter. Since then, prices and wages have been rigidly controlled and the limit set on the amount that the occupation armies could obtain as occupation costs. In Hungary, price controls were lifted soon after the liberation. In order to restore production, extensive reconstruction schemes were launched which were financed largely by borrowing from the Central Bank because the government was unable to institute an (*Please turn to page* 486)

A Comparison of Foreign Price Levels
Wholesale Prices

Country	Value of Currency in U.S. cents Jan. 1, 1939	Value of Currency in U.S. cents May 1, 1946	May 1, 1946 in terms of Jan. 1, 1939	Local Currency Basis Jan-June 1939	Local Currency Basis Aug. 1945	Local Currency Basis Latest	Change Since Armistice	No. of Mo. Covered Since Armistice	Wholesale Prices Dollar Basis
Finland	2.06	.74	36	100	431	613	+42%	8 mo.	221
Iran	5.80	3.08	53	100	490	481	— 2%	3 mo.	255
France	2.63	.83	32	100	366	442	+32%	6 mo.	141
Turkey	79.56	51.81	65	100	432	431	—	4 mo.	280
Egypt	479.00	414.00	86	100	326	328	+ 1%	1 mo.	282
India	34.86	30.18	86	100	286	303	+ 6%	6 mo.	261
Czechoslovakia	3.42	2.00	59	100	159	292	+84%	6 mo.	172
Portugal	4.24	4.05	95	100	231	246	+ 6%	6 mo.	234
Netherlands	54.36	37.80	70	100	179	243	+36%	7 mo.	170
Spain	11.05	9.13	83	100	217	229	+ 6%	2 mo.	190
Mexico	19.93	20.57	103	100	209	228	+ 9%	8 mo.	235
Chile	3.12	3.10	100	100	221	225	+ 2%	6 mo.	225
Argentina	22.73	24.73	106	100	210	222	+ 6%	7 mo.	235
Peru	20.56	15.38	75	100	219	220	—	6 mo.	165
Switzerland	22.61	23.36	103	100	211	201	— 5%	8 mo.	207
Denmark	20.85	20.85	100	100	192	187	— 3%	8 mo.	187
United Kingdom	467.00	403.00	86	100	175	178	+ 2%	8 mo.	153
Norway	23.46	20.20	85	100	183	171	— 7%	8 mo.	145
Sweden	24.05	23.85	99	100	178	168	— 6%	7 mo.	166
South Africa	462.00	400.00	87	100	160	159	—	7 mo.	138
New Zealand	372.00	323.00	86	100	151	152	—	7 mo.	131
United States	—	—	—	100	145	149	+ 3%	8 mo.	149
Venezuela	31.40	29.85	95	100	144	146	+ 2%	4 mo.	139
Canada	100.00	90.90	91*	100	141	143	+ 2%	8 mo.	130**
Australia	372.00	321.00	86	100	140	140	—	7 mo.	120

* Restored to parity since.
** 143 on the basis of the restored parity.

Shifting Scenes For The Movies



By MICHAEL C. LOWE

IN VIEW OF THE SUBSTANTIAL PRICE rise in the stocks of the motion picture companies, it seems advisable to review their prospects at this time. Motion picture attendance in the first four months of 1946 still showed a rising trend. For the first four months of this year, attendance, as shown by tax figures increased approximately 10 per cent over the like period of last year, despite relaxation of travel restrictions and gasoline rationing, which, in the opinion of some people, might have a tendency to lessen movie attendance. Profits of the companies show a tremendous increase in interim earnings to date over 1945, mainly as a result of repeal of the excess profits tax.

Favorable Influences Still Operative

With theatre attendance running ahead of record war levels due to high employment, rising wages, shortened hours and continued favorable business prospects, earnings of these companies should benefit accordingly.

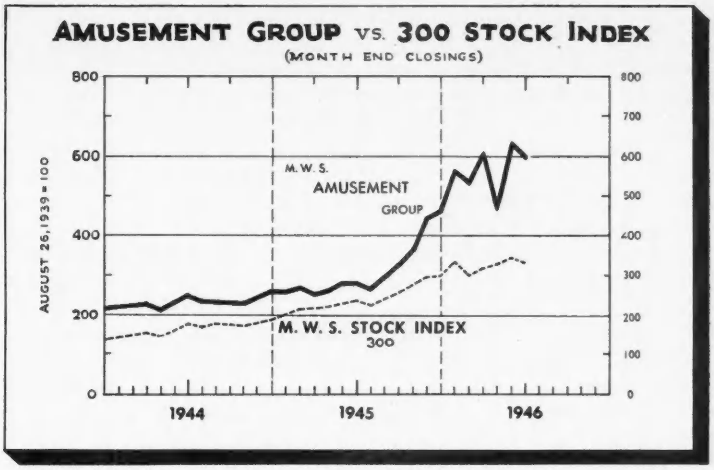
Export business, which in the past exceeded 30 per cent of total film revenues, should play an increasingly important part in earnings due to the vigorous drive being made at present to expand the market for films in Latin America. Relaxing of restrictions in other parts of the world will also expand export business. Expansion of British film production should not be too harmful as important interest in British firms are held by the American companies and distribution of the British films is made by the major American producers.

Production costs in general are up 25 to 50 per cent over pre-war levels, reflecting higher wages and salaries, wider use of color films, and larger fees paid for novels and plays. However, increase in unit costs was largely offset by reduced production made possible by extended picture runs. Labor costs which are estimated to represent 15 to 20 per cent of production costs are expected to increase. Negotiations are now in progress between management and labor for increased wages and other demands, and are complicated by the jurisdictional angle which caused so much trouble at Warner Brothers studio last year. Herbert Sorrell, president of the Conference of Studio Unions, is asking for a 25 per cent increase in most categories as against a proposal by the major producers of a 10 per cent increase or 18½ cents an hour, whichever is higher.

Effect Of Rising Costs

While higher rates could be met now on the basis of present business without undue hardship, a sudden drop in box office receipts, combined with increasingly higher wages could seriously cut into profits. Jurisdictional strife between the Conference of Studio Unions representing the workers engaged in construction and maintenance work — carpenters, painters, machinists, etc., and the I.A.T.S.E. or International Alliance of Theatrical and Stage Employees representing cameramen, film processors, etc., has caused considerable trouble in the past even without strikes and can cause more.

Divestment Of Theatres By Producers



Opinions on the recent decree asked for by the Department of Justice in the New York Equity Case on monopolistic practices provides among other things for terminating producers interests of less than 95 per cent in theatres within a year of date of judgment entry. This would prevent any further acquisitions of theatres by the producers and in the opinion of counsel for distributor defendants with affiliated circuits they see an intent to reduce their theatre holdings substantially, since they could only buy out a co-owner's interest, and failing to do this they would have to sell their own interest, but they could not acquire any other theatre to retain their competitive position in the particular situation. Decree also in effect prohibits conditional deals for pictures, fixing of admission prices, and provides for many restrictions which would tend generally to increase distribution costs, however, opinion in the trade is divided on effects of the decree. In any event the case will be appealed.

Strong financial condition of the motion picture companies as a result of drastic reduction or elimination of funded debt over the past few years and more conservative policies followed by these companies should provide insurance against a return to the uncertain and unstable status of certain of the companies during the late depression.

Loews, Inc., the acknowledged leader of the field (although gross was exceeded in 1942 to 1945 by other companies) has been the most stable company in the industry. Engaged in all phases of the business, including production, processing and exhibition of films. Maintains studio in New York City for recording domestically produced pictures in foreign languages and vice-versa. Operates 188 theatres of which 81 are located in the New York Metropolitan area. Quality of its product and conservative management have contributed to its outstanding record. Favorable earnings were maintained throughout the depression of the 1930's, lowest earnings recorded in that period being $2.15 a common share in 1933, against $4.80 a share in 1932 and $4.50 a share in 1934 and climbing to $8.69 a share in the 1944 fiscal year.

For the fiscal year ended August 31, 1945, net profit was $13,199,925 equal to $2.61 a share on the 5,055,327 shares outstanding after the three for one split up. In the preceding year net profit was $14,-637,341. For 28 weeks ended March 14, 1946 net profit was $8,952,067 equal to $1.77 a share against $6,768,469 or $1.34 a share in like period of 1945. Gross income rose to $175,534,000 in 1945 from $100,611,000 in 1936 period.

Net working capital increased from $43,033,000 in 1936 to $91,967,000 in 1945. Funded debt in 1945 period aggregated approximately $44,000,-000. Total assets increased to $206,940,000 in 1945 from $138,000,000 in 1936. Equity per share on August 31, 1945 was $26.06 as compared with $17.51 (adjusted for three for one-split-up) on August 31, 1936. Dividends have been paid in every year since 1923.

Twentieth Century Fox Film Corp. has shown phenomenal growth since reorganization in 1935,

Shorter hours and higher wages are the most important contributing factors to the steady rise in motion picture attendance

gross income increasing from $43,942,000 in 1936 to $185,672,000 in 1945. One of the largest producers and distributors of film in the country and through National Theatres Corp. (100 per cent of voting stock owned) operates about 610 theatres in this country and 110 theatres in Australia and others in New South Wales through controlling interest in Hoyts Theatres, Ltd. Also owns working control of Gaumont-British Pictures Corp., Ltd., motion picture producer and operator of about 300 British theatres.

Earnings for the 52 weeks ended December 29, 1945 amounted to $12,746,467 equal after preferred dividends to $5.29 a share on 2,119,709 common shares outstanding as compared with $12,480,492 or $6.04 a share on 1,771,364 common shares in 1944. Net working capital increased to $53,471,000 at close of 1945 from $20,034,000 at close of 1935, and total assets on December 29, 1945 amounted to $148,983,268 as compared with $54,171,917 on December 28, 1935. Outstanding $1.50 cumulative convertible preferred stock on December 29, 1945 amounted to 563,987 shares and 2,119,709 no-par shares of common stock were outstanding on that date.

Preferred stock conversion has been proceeding rapidly and in March 1946, conversions reduced amount outstanding to 413,130 shares and common stock increased to 2,342,500 shares. Net profit for quarter ended March 31, 1946 was $6,241,953 equal after preferred dividend requirements to $2.53 a share on the 2,365,477 common shares then outstanding as compared with $2,855,485 or $1.33 a share on 1,824,711 common shares in March quarter of 1945. Gross income amounted to $48,430,368 as compared with $43,778,998 in like period of 1945.

Preferred Stock Conversion

Paramount Pictures, Inc., is engaged in all phases of the business. Theatre operations of this company are the largest single source of revenue. Including wholly owned or controlled subsidiaries, theatre chain consists of about 550 houses, either owned, leased or held under management agreements. In addition to this there are about 1,050 additional houses in which the company through subsidiaries, directly or indirectly has less than a controlling interest, and are located in the United States, Great Britain, Canada, South America, Australia, New Zealand, and other South Pacific areas.

Paramount's Interests Diversified

Paramount owns 90 per cent interest in Balaban & Katz, and a 94 per cent interest in Famous Players Canadian Corp., Ltd., both of these companies large operators of theatres, and has a substantial interest in Allen B. Dumont Laboratories, Inc., manufacturers of television receiving sets and engaged in television research, also owns interest in Scrophony Corp., controlling certain television patent rights for the Western Hemisphere owned by British interests. Consolidated net profit for year ended December 29, 1945, amounted to $15,425,432, excluding Paramount's interest as a stockholder in the combined undistributed net earnings for the year of partially owned affiliated companies, equal to $4.11 a share on the 3,752,136 common shares outstanding, as compared with $14,743,106 or $3.93 a share on the common stock in preceding year.

Including Paramount's interest in undistributed earnings of partially owned affiliated companies net profit totaled $17,952,432 or $4.78 a share as compared with $16,488,106 or $3.39 a share in preceding year. Net profit in 1935 amounted to $3,153,167 equal after dividend requirements on preferred stock then outstanding to 79 cents a common share. Company was reorganized in 1935.

The company has made remarkable strides in its program of capital simplification since reorganization. Largely through conversion into common stock, outstanding preferred stock which exceeded $31,000,000 in 1935 has been converted into common stock and funded debt which exceeded $45,000,000 in 1935 has been reduced to approximately $12,000,000 at close of 1945, and will be virtually eliminated in 1946.

Net working capital at (*Please turn to page* 480)

Financial Survey of Principal Motion Picture Producers

	Funded Debt† ($ thouhand)	Net Per Common Share: First Quarter 1946	First Quarter 1945	1945	1944	Net Current Assets* Per Share	Dividend Per Common Share: 1946-to-date	1945	1944	Recent Price	Price-Earnings Ratio
Columbia Pictures	None	$3.62(b)	$3.20(b)	$4.43	$4.89	$29.40	2½% Stock	$.50(g)	$.50	$30	6.8
Loew's	$43,368	1.77(i)	1.34(i)	2.55	2.87	9.65	$.75	1.37½	1.33⅓	35	13.7
Monogram Pictures	None	.25(c)	.19(c)	.28	.39	1.56	Nil	Nil	Nil	9	32.1
Paramount Pictures (a)	12,074	1.55	.54	2.05	1.96	11.10	.50	1.00	.90	36	17.5
Radio-Keith-Orpheum	5,260	.97	.33	1.80	1.57	1.59	.60	Nil	Nil	22	12.2
Trans-Lux	None	Not Available		.31	.29	.90	.10	Nil	.10	6	19.3
Twent.-Cent'y Fox Film	8,604	2.53	1.33	5.29	6.04	None	1.50	2.50	2.00	54	10.2
Universal Pictures	6,758	3.09(e)	2.67(e)	4.86	5.15	20.20	1.50	2.00	2.00	43	8.8
Warner Bros. Pictures (h)	30,229	2.46(f)	1.24(f)	2.67	1.87	None	1.50	Nil	Nil	45	16.8

* After senior securities. † Latest available date.
(a) All figures adjusted for 2-for-1 split effected July 8, 1946.
(b) For 39 weeks ended March 30.
(c) For 6 months ended December 31 of the preceding year.
(e) For 26 weeks ended May 1.
(f) For 26 weeks ended March 1.
(g) Plus 2½% in stock
(h) 2-for-1 split effected Aug. 26, 1946; figures are on basis of old stock.
(i) For 28 weeks ended March 15.

10 Low-Priced Securities vs. 10 High-Priced Securities

By ROGER CARLESON

In these days when selectivity plays such an important part in every investment and speculative program, the more factors which can be studied as determinants for decisive action the better. Industry potentials, financial status of an individual concern, earnings, dividends, yield, price-earnings ratio and all the other yardsticks commonly employed, rationally combine to evolve a basis for appraisal. But in the final analysis, sometimes irrespective of investment aim, the current price level of a security more often than not crops up as a weighty factor. With no relation in this instance to any of the other considerations, the mere fact that the price is rated as high or low seems to create an unreasonable bias, other than the psychological importance assigned to the number of shares obtainable with a given amount of money. For this reason it is interesting to probe around, to study the record a bit with the thought that factual evidence concerning relative price levels may clarify the picture.

To this end we have appended a table covering five representative industries, in each of which we have listed two concerns with relatively high-priced shares and two more with shares now selling in the lower priced brackets. None of the individual companies mentioned were hand-picked to prove a predetermined theory, beyond the basic fundamental of share prices and that they are all dividend payers. Rather were they selected more or less at random with the hope that even with such restricted groups, some statistics might emerge which would prove constructive in studying the problem under discussion. As it happens, the figures tend to highlight some rather significant points which ordinarily might be overlooked by the average investor. These will be discussed in more detail in studying the different situations tabulated.

Price Groups Compared

During the past year, definitions of high and low priced equities have experienced some revision, due chiefly to the changing character of the market and the impressive wave of split-ups. Indeed, since January of the current year, more than a hundred listed concerns have altered their capital structures by splits or stock dividends. Time seems to have passed when search for so-called "blue chip" issues focussed strongly upon those selling above $100 per share. While plenty of them can still be found in the highest brackets, many others have descended to a price commensurate with the greater number of shares now outstanding, and without the least impact upon their inherent investment stature.

In like manner, numerous "cats and dogs" without the least element of genuine investment appeal have been pushed up in price from an almost nominal level to ridiculous heights by pure speculative enthusiasm. New offerings of really sound equities, carefully appraised by conservative bankers to establish a sound initial price for public consumption, have also climbed from what might be termed a low-price range around 20 to nearly double the original figure. As matters now stand, accordingly, stocks selling well above par are becoming increasingly rare, as is also the case with those once numerous in the brackets below 15. And in the price range between 30 and 70 has accumulated an ever larger hodge podge of sound and highly speculative issues to confuse the unwary investor. Hence price in itself has gradually become less and less of a signal pointing to basic investment of speculative merit.

Investment Fallacies to Avoid

The big question bothering many investors, however, is whether combined potentials for appreciation and income may be enhanced by purchase of shares priced in the relatively lower brackets or whether really fancy-priced equities offer the best speculative opportunities in the long run. Fallacious as the supposition may be, many buyers of securities are perhaps naturally influenced by the thought that a low priced stock has more "room" to expand from the viewpoint of possible appreciation. Similarly the equities which are available only at premum prices always arouse worry lest they may prove top heavy, and here the majority of investors fight shy of acquisition because purchase of 100 share lots cuts too heavy inroads into their bank accounts. Whether easily obtained odd lots of the fancier priced equities would bring a better yield or tend to appreciate more dependably seems to be a secondary consideration, or an unanswerable problem.

But experienced appraisers invariably study the relationship of prices to capitalization, for without this process potential dollar gains are seriously clouded. Where shares are above average numerous, as with sound concerns like Packard or Burroughs Adding Machine, occasioning a consistently relative low price for their equities, the yardstick of appreciation should be expressed in terms of percentage rather than points, for to use the latter would be very misleading. An advance of a single point for Packard Motors, selling around ten, for example, would approximate 10%, or the equivalent of 10 points gain for National Steel recently priced at 100. But this is no indication at all that either one or the other might win the race. It merely signifies that back of all price factors is always a supporting reason, indeed many reasons.

Yardsticks for Security Appraisal

In scanning the concerns tabulated as a group, certain general characteristics of the figures presented may establish rational conclusions, although in a catch-as-can selection such as this, too much weight cannot be allotted to the results which appear. As most people are aware, it is possible to prove almost anything by statistics, so that by use of a much larger list or by intentional selection, the outcome might show up quite differently. However, it seems definitely interesting to note that despite the wide disparity in prices for the 20 examples listed, a considerably closer alignment of yields shows up. True, very few of the yields are alike, as is only to be expected, and because a low of 1.3% contrasts sharply with a high of 5.4% it might be inferred that a wide divergence is disclosed in this column also. But upon more narrow examination, it will be seen that extremes such as these total only four in all, leaving 16 fairly closely bunched near the grand average of 2.85%. In the great majority of cases, as it happens, only a fraction of 1% differential in yield distinguishes the leader from the laggard. This circumstance would suggest, at least, that under current conditions in the market, price levels for representative stocks such as these are more than ordinarily attuned to the scramble for yield on investible funds, regardless of high premiums involved in some purchases or modest prices in others.

In support of this premise, the figures showing various price-earnings ratios disclose marked diversion and broadly scattered results among the five industrial groups and the constituent concerns listed. Against an average of 18 for price-earnings ratios, the low is 9.8 and the high 47.7, a spread of nearly 400%, and while the former pertains to a low-priced stock and the latter to a high-priced one, no such relationship is characteristic of the groups generally or of the concerns in different price categories. A natural inference would be that buyers of shares in these particular concerns are influenced less by reported earnings or even longer range potentials than they are by the current size of their dividend checks. Indubitably, however, such conclusions might not appear valid with some other list of dividend payers, although with almost any one which could be drawn up a similar emphasis upon yield as against speculative potentials would be disclosed. Hence as long as the pressure of income seekers remains dominant, the question of high or low prices to be paid will be solved by simple arithmetic in the majority of instances. The current dividend seems to be the transcendent factor and easily ascertainable.

Capital Appreciation As An Objective

But a host of investors of course are not content with mere income, preferring to weigh their programs with attendant or major considerations of capital appreciation. To such as these, the statistical information in our table may be thought-provoking or constructive, for the evidence unfolded could well apply to selective efforts involving other industries and shares, aside from those under immediate consideration. Let's see what the record shows for high-priced and low-priced shares when their relative merits for potential capital gain are the main issue. In the next to last column in our table are listed the maximum price spreads in the shares of the 20 concerns for the 1945-46 period to date. Measured by points, this tabulation shows such definite uniformity as to be almost incontestible. In all of the five groups, the current price level of the two high priced shares is the result of an advance almost twice as marked as in the case of the two low-priced issues. The maximum achievement in this respect was a gain of 109 points and the smallest blue chip gain was 21 points. In contrast to these results, largest gain in the low-priced brackets was 23 points and the smallest a mere 5. On the average the top leaders scored gains of 58.6 points in 18 months against a relative showing of only 13.9 points for the low-priced issues. While these statistics are interesting, it could be argued quite validly that they represent hindsight only and that history may be increasingly reluctant to repeat itself, all of which concerns the present holders of

these shares or their prospective buyers. On the other hand, it is equally true that the price relationship of the two classes of stocks at the start of the rise was also considerably divergent. That is to say, by the yardstick of initial prices, the fancier priced issues would have proven the more profitable buy if gauged by point gains.

Figures Can Lie

But at this point our discussion discloses the danger of accepting statistical evidence too readily on its face. Fact is that percentage gains upon capital invested should be the determinant factor rather than weighing appreciation by the usual method of using points as a guide. While every time the price of shares advances a point or ten points, the holder is that much to the good, the gain in relation to the amount of funds he has had to employ has supreme significance. In the last column of the table we have shown how different the picture becomes when the yardstick of percentage is applied to the high and low-priced stocks. A more or less scrambling of the record evidenced by point gains results. The relative profit advantages achieved narrow decidedly in range, with a few outstanding exceptions, as in the case of yields, and it is difficult to detect any uniform pattern which they follow, among the shares in both categories. While the high-priced stock which showed the largest point gain also appears as champion in the percentage column, next in significance is one of the shares showing 156% advance although its gain in points was only 9. And all down the column the variations in percentages appear to have little relation to the price factor. Average percentage advance for the high-priced issues shows as 87% against aclosely similar mark of 91% for the low-priced entries. But marked variations occur in both groups. If these figures provide a safe index for a general rule, a perhaps questionable assumption, dollar profits on capital invested in shares rated in the power price brackets have been slightly more ample than in blue chips. At least this is what the record shows for the 20 shares under discussion.

As previously hinted, there are innumerable factors other than yield which tend to establish prices. While the complexity of these makes it impractical to discuss all the shares tabulated from this angle, it is possible to touch briefly upon some of them which have caused extreme variations in yield and consequent price for a few of the concerns listed. Take Coca-Cola, for example, selling around 178. While shares of this soft drink maker have advanced in 18 months by some 54%, slightly below the average for the group, tax relief and independence of labor problems enhance hopes of improved earnings in the near term. As dividend distributions have always been liberal, the current low yield of 2.2% might conceivably be improved before long, a potential accounting for a current high price-earnings ratio for these shares, as well as for those of two others in the same industry group listed. While both Nehi and Pepsi-Cola shares are in the lower price brackets, their average percentage gains have been about double that of their leading competitor, thus perhaps increasing the odds in favor of Coca-Cola in scanning future potentials for appreciation, despite the wide disparity in prices.

Speculative enthusiasm in the chemical-pharmaceutical group has established major percentage gains for the shares of the concerns tabulated. Zonite Products, selling at only 13 yet, has advanced by 156% from its 1945-46 low, partly supported by a favorable 4.2% yield. Monsanto Chemical at 167 now produces a yield of only 1.3%, its 125% percentage gain being mainly attributable to reports that its 1946 earnings may soar spectacularly. On the other hand, du Pont, despite its price of 218, a yield of 2.4% and a price gain of only 46%, has very interesting potentials for improved earnings and dividends, a fact which may not have been too liberally discounted by the current price.

Most of the large oil concerns have so many shares outstanding that their prices generally have been held to below 100 a share. Percentage gains by Amerada, now selling (*Please turn to page* 470)

Representative High Priced and Low Priced Securities in Major Industries

	Recent Price	1945 Net	Dividend*	Yield	Price-Earnings Ratio	1945-1946 Maximum Price Spread†	% Increase
Beverage & Candy:							
Coca-Cola	$178	$5.67	$4.00	2.2%	31.4	$70	54%
Hershey Chocolate	101	5.26	3.00	3.0	19.2	34	47
Nehi	27	.84	.57½	2.1	32.2	17	108
Pepsi-Cola	32	.90	.83½	2.6	35.6	19	91
Chemical-Pharmaceutical:							
du Pont de Nemours	218	6.29	5.25	2.4	34.6	72	46
Monsanto Chemical	167	3.49	2.25	1.3	47.7	99	125
Coty	11	.64	.35	3.2	17.2	9	150
Zonite Products	13	.82	.55	4.2	15.8	9	156
Oils:							
Amerada Petroleum	80	3.42	1.62½	2.0	23.4	40	78
Sun Oil	75	4.44	1.00(a)	1.3	16.9	21	37
Pure Oil	27	2.64	1.00	3.7	10.2	12	70
Socony-Vacuum Oil	18	1.36	.65	3.6	13.2	5	37
Retail:							
Abraham & Strauss	144	8.20	4.50	3.1	17.6	109	182
Montgomery Ward	92	4.12	2.00	2.2	22.2	56	117
McLellan Stores	29	2.02	1.05	3.6	14.3	23	117
Sears Roebuck	44	1.52	1.00	2.3	28.9	14	39
Steel:							
Bethlehem Steel	111	9.52	6.00	5.4	11.7	49	75
National Steel	101	5.04	3.00	3.0	20.0	36	56
Colorado Steel & Iron	17	1.74	.60	3.5	9.8	10	70
Republic Steel	39	1.36	1.00	2.5	28.6	21	112
					360.5		

* 12 months to date. (a) Plus 10% Stock. † High-Low.

What Potentials IN THE Plywood Industry?

By GEORGE W. MATHIS

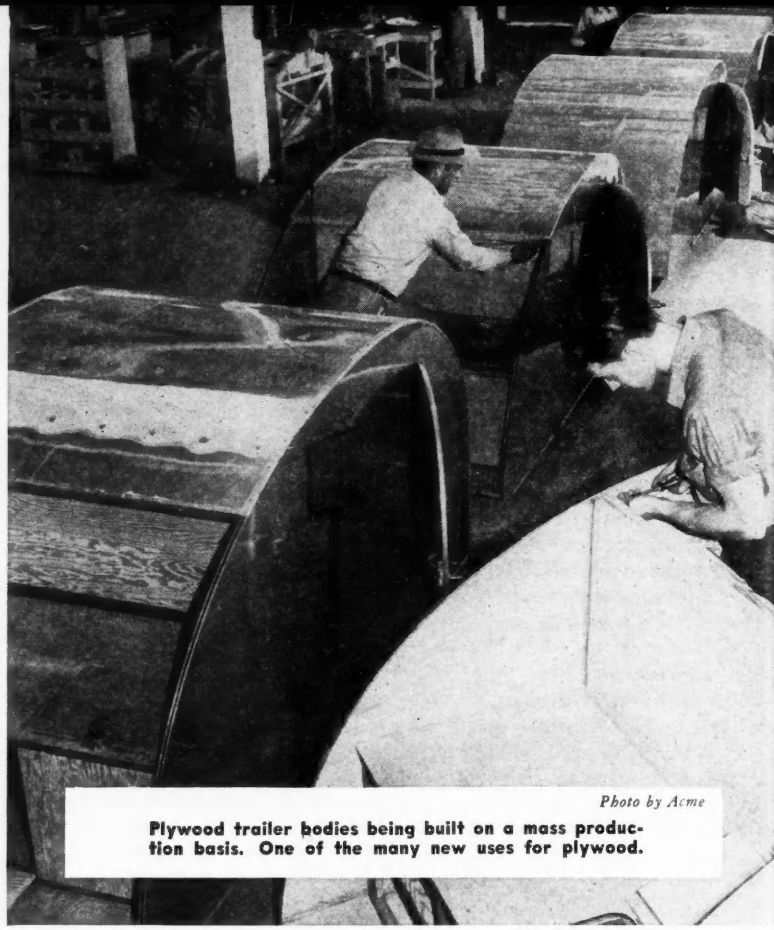


Photo by Acme

Plywood trailer bodies being built on a mass production basis. One of the many new uses for plywood.

WITH THE ADVENT of the modern plastics industry some years ago, many people assisted as preliminary chief mourners, as it were for the lumber industry, among others. Plastics would take the place of anything and everything. Similarly when the atom bomb was loosed, many so-called experts doomed the entire machinery industry. Atomic power was going to render obsolete everything from power production to the solar system. In spite of these dire predictions, the plywood industry has developed into a lusty giant, perhaps too lusty, in fact.

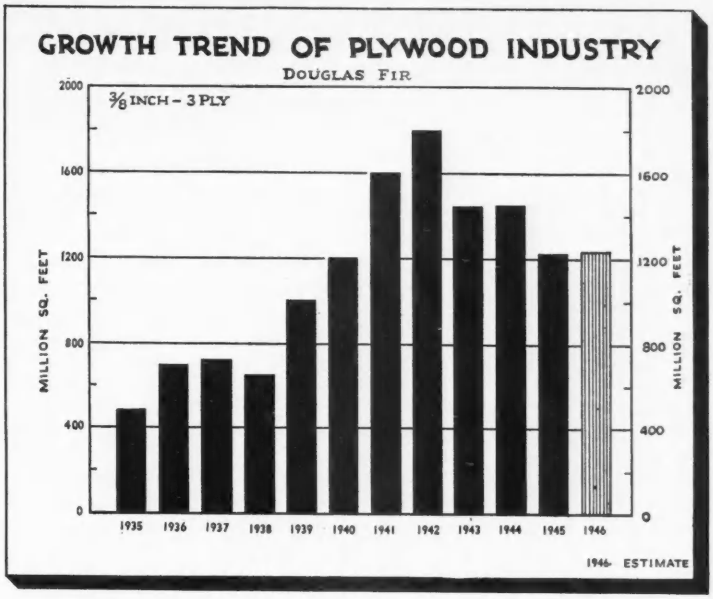
Demand Expanding Rapidly

While a tremendous demand has been built up for plywood for many and varied uses, the material continues to be almost impossible of procurement for industrial use due to heavy demands from the building industry, and government set-aside orders for housing. Production of Douglas Fir Plywood in the United States (softwood) increased from 153 million square feet (3/8" 3 ply) in 1925 to 1,800 million square feet in 1942, and 1.440 million in 1944. Softwood plywood production as reported by the Department of Commerce amounted to approximately 1,223 million square feet in 1945. Production in April 1946 rose to 120,669,000 square feet as compared with 109,200,000 in March and 115,953,000 in April 1945. For four months ended April 1946, production totaled 434,000,000 square feet as compared with 490,000,000 in first four months of 1945. Hardwood plywood production for first nine months of 1945 amounted to 2,071 million square feet (measured by glue line) and for the full year 1945 is estimated at approximately 2,800 million square feet.

Plywood Shipments Rising

Shipments of softwood plywood in April 1946 amounted to 120,852,000 square feet as compared with 105,999,000 in March, and 116,000,000 in April 1945. Stocks on hand on April 30, 1946 amounted to 31,253,000 square feet as compared with 28,652,000 square feet in April 1945. Higher production costs have tended to keep production down and plywood men are of the opinion that output could be boosted considerably with increased prices. Earlier in the year O.P.A. granted a 20 per cent increase in prices of 12 grades and thicknesses, but many figures in the industry feel that this increase is not sufficient. Recently the National Housing Agency announced a premium payment plan to increase plywood production. This plan will boost the price of peeler logs for plywood manufacture by $7.50 a 1,000 feet, to be paid by the manufacturers to their suppliers, however, the plywood manufacturers can only get a full return on their added costs if they manage to boost their production by 25 per cent above their first quarter of 1946 production. Payment will be made from a $400,000,000 premium fund set up by the government. If the companies fail to expand production by 25 per cent, they will receive 30 cents a 1,000 feet for each 1 per cent above their quota which they produce.

Plastic surfaced plywood panels (although developed before the war) are now in mass production and are made by bonding plastic surfacing to the veneer before the plies of veneer are bonded into plywood. When the plywood is subsequently assembled, the plastic surfaces are on both sides of the panel. Both heat and pressure are applied to fix the plastic surfacing. The new plastic surface adds several highly desirable properties to plywood. The surface is glass smooth, has high abrasion resistance, moisture resistance and contributes considerable rigidity to plywood, which already has strength as its greatest single attribute.



Plastic-Plywood Combinations

Another type of plastic coating is bonded to the plywood after the plywood panel is manufactured. These panels have extreme strength with minimum weight, are shockproof and have abrasion resistant surfaces. They can be used in home building as attractive exterior and interior finishes, for pre-finished floors, furniture and cabinets, etc., and can be used for the sidings of railroad cars and trucks. Explorations are progressing with transparent resin surfacings that provide smooth hard surfaces yet retain the natural beauty of the wood grain.

Softwood plywood has been used in the manufacture of shipping containers of all kinds, in all phases of building construction, tobacco hogsheads, interiors of ships, ships bulkheads, decks, lifeboats, barges, etc., for linings of refrigerator cars, concrete forms, cabinets, trailers, food lockers, farm buildings, kitchen cabinets and many other uses too numerous to mention. The Plywood Research Foundation is endeavoring to develop means of using waste woods resulting from present processing at plywoods factories and in the forests, developing new products to manufacture in addition to present panels, to improve plywood through chemical means, and improve production and properties of Douglas Fir plywood through improvement in processing and manufacturing equipment.

While the demand for softwood plywood is huge, there is little prospect of this demand being filled in other than housing or construction work and it is possible that many industries desirous of using this material, may turn to other competitive materials because of failure to obtain this material.

Atlas Plywood Corp. is the largest manufacturer of plywood packing cases in the United States and owner of a substantial amount of standing timber. The company has leased 15,000 acres of its land in North Carolina for exploration by the Tidewater Petroleum & Gas Co. Company has shown remarkable growth in the past ten years, net sales increasing to $8,962,983 in year ended June 30, 1943 from $2,644,788 in year ended June 30, 1936. Sales for 1944 and 1945 year were not reported. For fiscal year ended June 30, 1945, net profit was $1,132,445, equal after dividends on preferred stock to date of retirement, to $2.15 a share on 527,118 shares of common stock and com- (*Please turn to page* 482)

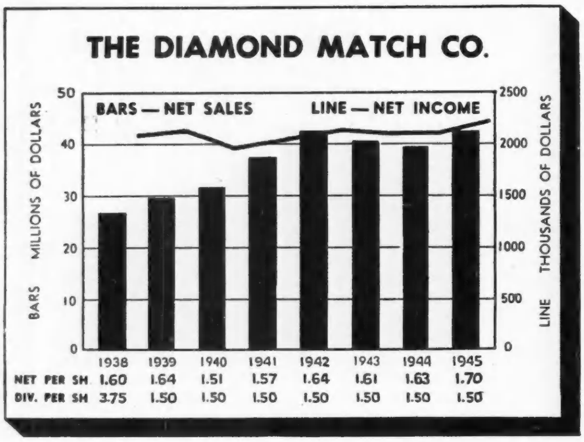
Earnings Record of Leading Plywood Producers

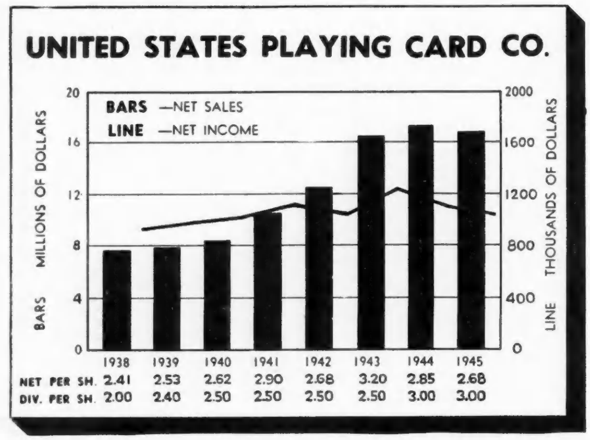
	Figures are in thousands of dollars						Net Per Share						
	Gross Sales		Net Income		Working Capital		First Quarter	Fiscal Year		Dividends		Recent	Price-Earnings
	1945	1941	1945	1941	1945	1941	1946	1945	1941	1946 to-date	1945	Price	Ratio
Atlas Plywood	$14,332	$6,055	$1,132	$586	$2,474	$1,284	$1.74(c)	$2.06	$1.81	$.50	$.95	$35	17.0
Evans Products	17,960	10,296	762	455	3,857	1,671	def1.14	3.12	1.87	.25	.50	30	9.6
Long Bell Lumber Co.	40,032	....	1,732	5,064	11,604	12,256	.30	.87	2.28	.10	.20	18	20.6
Mengel Co.	25,117	18,702	928	1,238	5,265	3,949	.30	1.66	2.57	.20	.60(e)	30	18.0
U. S. Plywood (b)	27,083	13,659	1,498	992	6,743(a)	2,251	......	1.98	1.93	.60	.70	66	33.4
Weyerhaeuser Timber Co.	60,656	61,609	8,117	8,613	19,526	21,169	......	2.70	2.87	1.00	2.00	73	27.0

(a) As of January 31, 1946.
(b) For fiscal year ended April 30 of the following calendar year.
(c) For 9 mos. ended March 31.
(e) Includes dividend payable January 2, 1946.
def—deficit.

Four Diversified Issues

—With Established Earnings Potentials





DIAMOND MATCH COMPANY

BUSINESS: By far the dominant factor in the domestic match industry, although more than half of volume is derived from lumber and lumber products, retail yards, chemicals and output of woodenware, pulp and paper items. Company has large holdings of timber lands.

OUTLOOK: Constant replacement demand for both stick and book matches, almost regardless of economic cycles, has won an extraordinary degree of stability for the business of this company. With a strongly entrenched trade position for more than half a century, sales should continue to be impressive, although growth potentials, through volume of matches, are somewhat restricted. But company's other products, now accounting for some 53% of total sales, are capable of producing new business more rapidly when general activity in the economy expands. In 1945, volume reached an all time high of about $42 million, although considerably supported by military demand for both matches and chemicals for explosives. After allowance for $2.9 excess profits taxes last year, net income came to $2.2 million, equal to $1.70 per share of common after provision for preferred dividends and the senior issue's share for share portion of earnings above $1.50 on the common. 1945 net was peak since 1932, but during this period earnings never declined below $1.51 per share, disclosing exceptional stability.

DIVIDENDS: Since 1882 company has enjoyed an unbroken dividend record, the rate per share for the past seven years having been held to $1.50. As tax relief in 1946 should widen profit margins, and company's cash position is exceptional, more liberal distributions would not be surprising in due course.

MARKET ACTION: Recent price—44, compared with a 1946 high of 50½ and a low of 33 in 1945. The current yield is about 3.4%.

COMPARATIVE BALANCE SHEET ITEMS
(in $ thousand)

	Dec. 31, 1941	Dec. 31, 1945	Change
ASSETS			
Cash	$2,897	$3,215	+ $318
Marketable securities	5,847	12,522	+ 6,675
Receivables, net	5,105	3,705	— 1,400
Inventories	14,533	10,695	— 3,838
TOTAL CURRENT ASSETS	28,382	30,137	+ 1,755
Plant and equipment	3,993	5,671	+ 1,678
Less depreciation	2,758	3,992	+ 1,234
Net property	1,235	1,679	+ 444
Other assets	5,234	5,359	+ 125
TOTAL ASSETS	34,851	37,175	+ 2,324
LIABILITIES			
Accts, payable and accruals	481	936	+ 455
Reserve for taxes	1,365	1,081(a)	— 284
TOTAL CURRENT LIABILITIES	1,846	2,017	+ 171
Reserves	3,145	4,451	+ 1,306
Capital	26,337	26,337	....
Surplus	3,523	4,370	+ 847
TOTAL LIABILITIES	34,851	37,175	+ 2,324
WORKING CAPITAL	26,536	28,120	+ 1,584
Current Ratio	15.4	14.9	— .5

(a) After deducting $3.5 million U. S. tax notes

UNITED STATES PLAYING CARD COMPANY

BUSINESS: Company is the largest producer of playing cards, with plants located in Cincinnati and Windsor, Ontario. The business is the outgrowth of an enterprise established in 1894. Popularity of the company's well known Congress, Bicycle, Bee and Tallyho card decks has attained widespread proportions.

OUTLOOK: While this business enjoys no spectacular growth potentials, a fair degree of stability in earning power has created above-average investment interest in the company shares. Even in dismal 1932, net remained in the black, and for decades past earnings have been steady and satisfactory. With the outbreak of war, sales climbed rapidly from around $8 million in 1940 to a peak of $17.3 million in 1944 because of heavy military demand, declining moderately to $16.8 million in 1945. But heavy excess profit taxes and renegotiation during all this period held net to about an even keel, the per share showing in 1945 coming to $2.68 compared with $2.62 in 1940. With relief from EPT in the current year, no reconversion problems, improved paper supplies and with a high level of purchasing power to satisfy deferred demand, the outlook for improved earnings seems bright. Competition is not burdensome and working capital is ample.

DIVIDENDS: Since 1918, regular dividends have been swelled by payment of extras in all but six years. For example, an established annual rate of $2 per share, effective since 1939, was bolstered by extras of $1 per share for the past two years. Investor confidence in these rather inactive shares, the sole capitalization, is reflected in a price permitting a yield of about 3.5%.

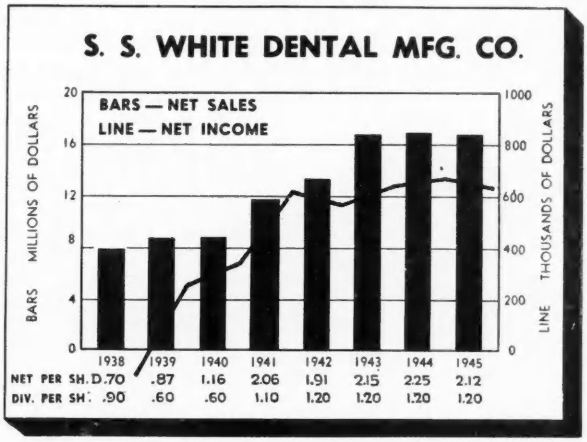
MARKET ACTION: Recent price of 79 compares with a high of 84 in 1946 and a low of 46 in 1945.

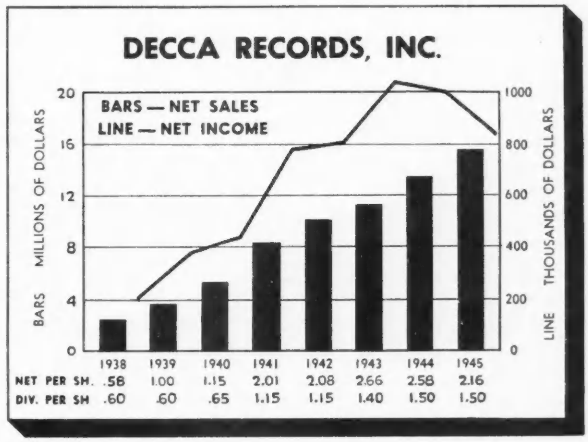
COMPARATIVE BALANCE SHEET ITEMS
(in $ thousand)

	Dec. 31, 1941	Dec. 31, 1945	Change
ASSETS			
Cash	$946	$1,224	+ $278
Marketable securities	5,469	8,159	+ 2,690
Receivables, net	553	671	+ 118
Inventories	2,287	1,796	— 491
Other current assets	....	322	+ 322
TOTAL CURRENT ASSETS	9,255	12,172	+ 2,917
Plant and equipment	6,343	6,197	— 146
Less depreciation	4,529	4,538	+ 9
Net property	1,814	1,659	— 155
Other assets	395	338	— 57
TOTAL ASSETS	11,464	14,169	+ 2,705
LIABILITIES			
Accts. payable and accruals	421	346	— 75
Reserves for taxes	877	2,955	+ 2,078
TOTAL CURRENT LIBILITIES	1,298	3,301	+ 2,003
Capital	3,856	3,856	....
Surplus	6,310	7,012	+ 702
TOTAL LIABILITIES	11,464	14,169	+ 2,705
WORKING CAPITAL	7,957	8,871	+ 914
Current Ratio	7.1	3.7	— 3.4

Four Diversified Issues

—With Established Earnings Potentials





S. S. WHITE DENTAL MANUFACTURING CO.

BUSINESS: Company for more than a hundred years past has specialized in the manufacture of dental equipment. By degrees production has been expanded to include flexible shafting for industrial use, portable tools, molded plastics and recording instruments, to mention a few of many items.

OUTLOOK: While a substantial proportion of sales in war years were to the Government, deferred demand from civilian sources accumulated so steadily that termination of Federal contracts has not been an adverse factor. Indeed, the company reports a backlog of orders which it will have insufficient capacity to meet for some 18 months to come. Additionally, foreign demand promises to expand sales on an increasing scale. Due to high standards of technical perfection required for the company's specialties, profit margins normally are satisfactory, although narrowed by EPT and tight Federal pricing during war. Hence peak sales of over $16 million in the past two years could shrink substantially in peacetime without serious impact upon earnings. While net per share in 1945 came to $2.13, sales of only $11.8 million in 1941 resulted in a profit of $2.08 per share, indicating future potentials.

DIVIDENDS: An unbroken dividend record runs back to 1900, the rate per share for the last four years having been $1.20. Despite a current yield of only about 3%, the shares have some speculative appeal.

MARKET ACTION: A recent price around 40 is an all time high for these shares, the range in 1945 was high—31¼, low—21⅝.

COMPARATIVE BALANCE SHEET ITEMS
(in $ thousand)

ASSETS	Dec. 31, 1941	Dec. 31, 1945	Change
Cash	$1,078	$2,348	+$1,270
Marketable securities	....	1,249	+ 1,249
Receivables, net	2,663	2,154	— 509
Inventories	4,017	4,551	+ 534
Other current assets	....	154	+ 154
TOTAL CURRENT ASSETS	7,758	10,456	+ 2,698
Plant and equipment	5,986	7,178	+ 1,192
Less depreciation	3,827	4,491	+ 664
Net property	2,159	2,687	+ 528
Other assets	570	301	— 269
TOTAL ASSETS	10,487	13,444	+ 2,957
LIABILITIES			
Notes payable	....	53	+ 53
Accts payable and accruals	877	1,222	+ 345
Reserve for taxes	763	1,948	+ 1,185
TOTAL CURRENT LIABILITIES	1,640	3,223	+ 1,583
Deferred liabilities	96	26	— 70
Reserves	175	530	+ 355
Capital	6,000	6,000	....
Surplus	2,576	3,665	+ 1,089
TOTAL LIABILITIES	10,487	13,444	+ 2,957
WORKING CAPITAL	6,118	7,233	+ 1,115
Current Ratio	4.7	3.2	— 1.5

DECCA RECORDS, INC.

BUSINESS: A leading manufacturer of phonograph records and electrical transcriptions, with distribution effected through 33 branch offices to many thousands of retailers.

OUTLOOK: While this concern was incorporated only in 1934, it has forged ahead rather consistently with expanding sales and earnings. Under a contract with the American Federation of Musicians, it has been able to secure the services of many outstanding stars in the musical world and to provide its customers with popular records at moderately low cost. Additionally, it sells phonographs and related equipment made for it by outsiders. Efficiency of management is shown by a consistent uptrend in volume from a level of $1.1 million in 1936 to $15.5 million in 1945. Despite rising costs, volume gains have widened profit margins, as shown by first quarter net per share in 1946 of $1.32 compared with 59 cents per share in the relative 1945 quarter. Annual net earnings have trended up from 48 cents per share in 1939 to $2.16 in 1945 with only slight interruptions. In 1943, net per share reached a peak of $2.67. While the business would be sensitive to cyclical changes in national income, the promising outlook ahead warrants confidence that earnings should exhibit improvement.

DIVIDENDS: Since payment of an initial dividend of 30 cents per share in 1937, the annual rate has been more liberal, and supplemented by extras in the past five years. Total paid in 1945 amounted to $1.50, including a year-end extra of 30 cents per share. 30 cents quarterly is the current regular rate.

MARKET ACTION: Near term potentials seem rather adequately discounted by a recent price of 60 for these shares, although high for 1946 was 75¼. Low for the current year was 45. But any sustained uptrend in earnings could lend speculative appeal.

COMPARATIVE BALANCE SHEET ITEMS
(in $ thousand)

ASSETS	Dec. 31, 1941	Dec. 31, 1945	Change
Cash	$216	$1,362	+$1,146
U. S. Gov't securities	....	205	+ 205
Receivables, net	1,015	2,011	+ 996
Inventories	997	1,983	+ 986
TOTAL CURRENT ASSETS	2,228	5,561	+ 3,333
Plant and equipment	520	2,160	+ 1,640
Less depreciation	155	860	+ 705
Net property	365	1,300	+ 935
Other assets	537	342	— 195
TOTAL ASSETS	3,130	7,203	+ 4,073
LIABILITIES			
Notes payable	62	333	+ 271
Accts. payable and accruals	1,019	2,210	+ 1,191
Reserve for taxes	363	1,142	+ 779
TOTAL CURRENT LIABILITIES	1,444	3,685	+ 2,241
Short term debt	163	667	+ 504
Capital	388	388	....
Surplus	1,135	2,463	+ 1,328
TOTAL LIABILITIES	3,130	7,203	+ 4,073
WORKING CAPITAL	784	1,876	+ 1,092
Current Ratio	1,5	1.5	....

Opportunities...

for Income and Price Appreciation

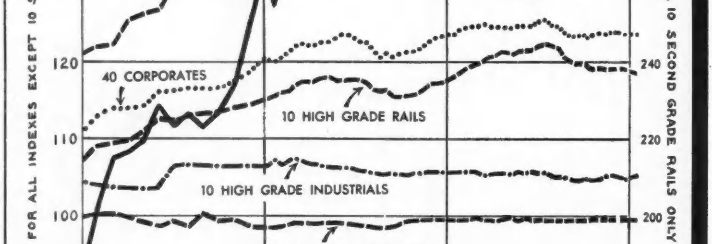
IN BONDS And PREFERRED STOCKS

By JACKSON D. NORWOOD

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On June 29	On July 6	
40 Domestic Corporates	123.8	123.7	− .1
10 High Grade Rails	119.0	118.6	− .4
10 Second Grade Rails	288.8	288.5	− .3
10 High Grade Utilities	99.7	99.6	− .1
10 High Grade Industrials	105.4	105.5	+ .1
10 Foreign Governments	132.8	132.2	− .6

The bonds market continues to follow the pattern of recent weeks, namely, comparative steadiness, with price variations restricted to nominal amounts. During the period under review, the trend was slightly lower, reflecting, primarily, the easier tone in the rail bond list. Unsettlement in rails is attributable to the less-than-expected rate of freight increases in the Interstate Commerce Commission's decree effective July 1, 1946, which do little to augment revenues sufficiently at a time when the latter are declining and costs are on the ascent.



The effect of such a squeeze on earnings is indicated in the carriers' first quarter operating reports, recently issued, showing net railway operating income of $118.8 million for that period, against $344.9 million in the corresponding interval of 1945. Although a decline from the war-swollen railway net of the 1945 period was anticipated, it was not expected to be quite so acute.

Among the interesting—and perhaps significant—bond developments of the fortnight was the outcome of the recent American Airlines 3% debenture financing. This was, in effect, the pioneer bond issue of the airlines industry, which, up till now, has financed itself through the use of equity capital. However, the bond market seemed to feel that the yield basis offered was not adequate compensation for the imponderables of the situation, and some difficulty was reported in disposing of all the issue at the original sales price. It is indicated that a good part of the issue had to be disposed of at price concessions about three points below par.

As the prime grade bond market will continue to take its cue from Treasuries, attention will be paid to whatever program may be forthcoming from the new Secretary, Mr. Snyder. His recent proposal to halt further retirement of the public debt seems at some variance to the policies of his predecessor, Mr. Vinson. If debt retirement should be discontinued temporarily, it may well have some transitory influence on the supply situation in the Treasury market, with a possible slight firming the result. All present indications, however, are that any halt in the debt retirement program

would be temporary.

PACIFIC TELEPHONE & TELEGRAPH CO.: Plans to register with the Securities and Exchange Commission for issue of $75,000,000 of debentures, and offering of 328,125 common shares, as part of the company's post war construction program of $400,000,000, of which it is anticipated $100,000,000 will be spent in 1946. Common stock will be offered on a pro rata basis to holders of outstanding preferred and common stock. The debentures will be marketed first on a competitive bidding basis and the common stock will be offered later in the year.

AMERICAN LOCOMOTIVE CO.: Stockholders will be asked to approve on August 6, a plan to redeem outstanding $20,000,000 of 7 per cent preferred stock through issuance of $10,000,000 of prior preferred and $10,000,000 of convertible second preferred stock with an over-all dividend rate of not more than 4¼ per cent. Dividend requirements under the proposal would be reduced from $1,400,000 to not more than $850,000 annually, and eventual further reduction of $425,000 by conversion of the second preferred into common stock. Proposal calls for conversion of second preferred stock into not more than 2 2/9 shares of common stock or a total of not more than 222,223 shares of common stock. Outstanding 7 per cent preferred stock is callable at $115 a share and would require $3,000,000 of funds in addition to that realized from sale of the new preferred stock. Proposal also provides a sinking fund to retire annually 2 per cent of the original number of shares of the prior preferred stock outstanding.

INTERNATIONAL PAPER CO.: Called for redemption on August 27, 1946, 250,000 shares of 5 per cent cumulative convertible preferred stock at 105 and accrued dividends. Exchange offer of June 5, 1946 became effective on July 1, as over 100,000 shares of the 5 per cent preferred stock was tendered for exchange. Exchange offer was extended by the directors until further notice under which the company offered 400,000 shares of its new senior $4 cumulative preferred stock and 100,000 shares of common stock in exchange for 400,000 shares of 5 per cent preferred stock. Under this offer, for each share of 5 per cent preferred stock accepted in exchange, there will be issued one share of the new $4 preferred and one-quarter share of common stock.

BEATRICE FOODS CO.: Offer to exchange new issue of 59,862 shares of 3⅜ per cent convertible preferred stock (par $100) for presently outstanding 59,862 shares of $4.25 preferred stock on a share for share basis expires on July 9, 1946. Issue will be convertible into common shares at price of $70 a share for the common stock until July 1, 1949, $72.50 a share to and including July 1, 1952, $75 a share to July 1, 1955 and $77.50 a share thereafter. Redemption prices of preferred will range from $106 to $104.50 depending upon period of time it remains outstanding. For sinking fund purposes the redemption price will be $104.50 a share. Unexchanged shares of the convertible preferred stock will be sold to an underwriting group headed by Glore, Forgan & Co., and the proceeds applied to the redemption on or about August 15, 1946 of the $4.25 preferred shares then remaining outstanding at a price of $104.50 and accrued dividends.

Suggestions for Current Investment Funds

Bonds:	Recent Price	Call Price	Curren. Yield
Amer. & For. Pwr. Deb. 5's, 2030	$110	$106	4.5%
Lehigh Coal & Nav. S.F. 3½'s, 1970	107	105	3.3
N. Eng. Gas & Elec. Ass'n. Deb. 5's, 1950	101	100½	4.9
N. Pacific Ref. & Imp. 5's, C, 2047	109	105*	4.6
Pittsb'gh & W. Va. 1st 4½'s, 1958-60	102	102	4.4
Southern Pacific Deb. 4½'s, 1981	110	110	4.1
Preferred Stocks:			
General Cigar 7% Cum. Pfd.	$175	N.C.	4.0%
Goodyear Tire & Rub. $5 Cum. Cv. Pfd.	106	$110**	4.7
Lipton (Thos.) 6% Cum. Pfd. (Par $25)	31	30	4.8
Pacific Gas & Elec. 5½% Cum. 1st Pfd. (Par $25)	40	N.C.	3.4
Union Pacific 4% Non-Cum. Pfd.	117	N.C.	3.4
Virginian Rwy. 6% Cum. Pfd. (Par. $25)	43	N.C.	3.5

N.C.—Not Callable. *Not prior to July 1, 1952.
**To 10/1/46; thereafter at 105.

EL PASO NATURAL GAS CO.: 75,000 shares of 4.10 per cent cumulative preferred stock (par $100) were offered at $109 a share and accrued dividends. Offer is subject to rights of exchange of holders of 14,797 shares of company's outstanding 7 per cent cumulative preferred stock on basis of one share of new preferred plus a cash payment for each share of 7 per cent preferred exchanged. All preferred stock not exchanged will be redeemed at $110 a share and accrued dividends. The company is concurrently offering to its stockholders 100,057 shares of its common stock at a price of $42 per share on the basis of one new share for each six shares now held. Offerings are part of financing program to obtain funds for construction, at estimated cost of $41,212,000 of a proposed new pipe line system to transport natural gas from fields in west Texas and Southeastern New Mexico to a point on the Arizona-California border, where Southern California Gas Co. and Southern Counties Gas Co. of California will accept delivery for distribution in Southern California. As a part of such program, the company also proposes to issue privately $36,000,000 principal amount of new 3 per cent bonds due 1966, of which $10,100,000 will be exchanged for bonds now outstanding and $25,900,000 will be sold for cash. The company will also procure a new 7 year bank loan in the amount of $8,500,000.

BUILDING Your Future Income

EDITORIAL:

Cooperation

In his recent book "Men At Work" Stuart Chase recalls one hard-pressed manufacturer at a crisis in war production who remarked: "The most critical shortage today is not oil, rubber, steel or ships; it is not even manpower. *It is the intelligent management of men.*" We can only guess as to what prompted such an expression but we do know that in our infinitely complex economic system the human equation is one of the most important ingredients of production, if not the most important.

The business leader of today is caught between many fires. True, his primary obligation is to seek maximum profits for the firm and the stockholders. But in achieving this purpose he must somehow steer a diplomatic course in reconciling the conflicting demands of trade competitors, labor, government agencies, bankers and minority stockholders.

His greatest problems do not involve such things as impersonal blueprints, or forecasts of inventory requirements, or even financial budgets. On the contrary, he is mostly concerned with that oldest and most difficult problem—human relations. No one knows better than he the economic value of co-ordination of human activities and interests and the importance of instilling in his organization a spirit of cooperation. If human relationships are bad, tempers are short, work is bungled, materials are spoiled and essential production is retarded. Non-cooperation thus becomes a kind of industrial paralysis from which all the divergent productive interests suffer.

Fortunate, therefore, is the business leader who comes to his task endowed with a naturally cooperative spirit acquired in youth and solidified throughout all of his contacts in school, on the playground, in the home and in every sphere where he has learned to live harmoniously with his fellow human beings. Such a man is gifted indeed and lucky is the enterprise that benefits from his influence and experience.

• This Department is dedicated to serve men in building up a reserve through every known means that will create stability—bringing the comforts and joys of life—and happiness.

It's our contribution, too, toward the firming of the foundation of our economy so that we will retain our status as free men and women in a new world.

To you, our subscribers, we extend an opportunity to assist in spreading this doctrine toward security and right thinking—in the schools and universities, and in your own homes and offices.

We are happy to cooperate and serve.

C. G. Wyckoff, Publisher.

Special Purpose
ACCIDENT Policies

By EDWIN A. MULLER

In my previous articles I initiated a series of discussions on Accident Insurance with particular reference to the Medical Expense or Reimbursement type of policy. This I indicated was available for those individuals employed or unemployed who sustained injury through an accident, where salary or income continued, but where cost of such medical and other incidental expenses would have to be borne by the individual. This might have to be paid out of savings, cashing of bonds or investments, or even borrowing to obtain the necessary funds.

In this discussion we will consider those individuals who not only will need medical reimbursement for injuries sustained due to accident but whose income also ceases and necessarily requires replacement. To be specific I mean such individuals as salesmen whose compensation on a commission basis or professional men such as physicians, dentists, or an accountant whose remuneration likewise is on a fee or retainer basis, a serious accident which incurs not only substantial medical expense but *loss of income* in addition, would be almost a catastrophe to many, particularly with today's high costs.

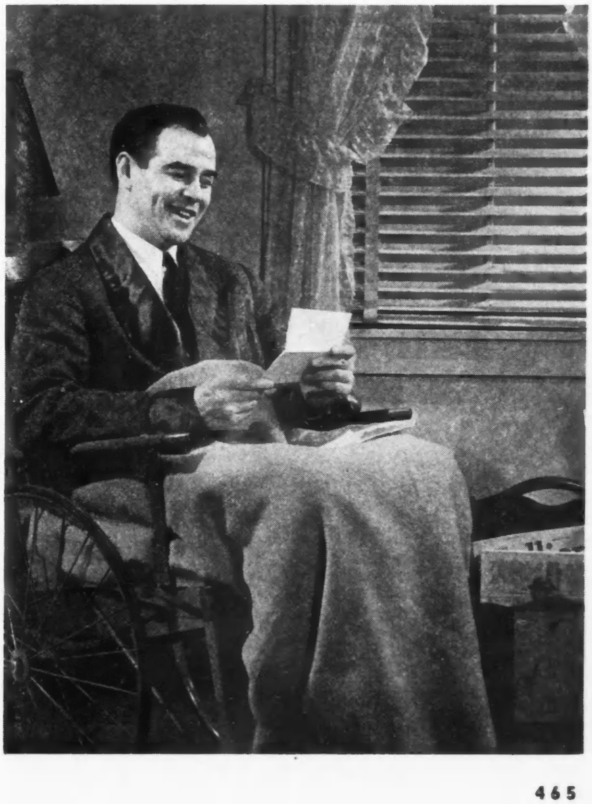
The Special Income Accident Policy is designed to provide a continuance of a stipulated income replacing that lost by reason of inability to pursue the usual duties of one's occupation. To more fully understand the coverage provided let us briefly discuss a policy as issued by one of the larger companies issuing this form of policy providing indemnity for loss of limb, sight, or time and other specific losses caused by bodily injury effected through accidental means. The following figures are based on an income of $50 weekly. The indemnity is paid immediately at the above rate and will continue as long as the insured shall live if such injury qualifies him for such payments, which would be total disability. For the loss of sight of both eyes or loss of one of the other it provides dismemberment payments as high as the equivalent of two-hundred weeks of income, namely $10,000. Limited or partial disability which prevents an individual from performing one important daily duty pertaining to his occupation will be reimbursed partially at the rate of two-fifths of the weekly indemnity not to exceed twenty-six consecutive weeks. If the individual be a passenger on a public conveyance provided by a common carrier for passenger service or while a pasenger in an elevator car providing for passenger service only, or by collapse of the outside walls or burning of a building, if the insured is within, or by the explosion of a steam boiler, hurricane, tornado or stroke ot lightning, any amounts payable would be doubled by reason of such injuries sustained by the individual.

If the individual should be physically unable to communicate with relatives or friends the company upon receipt of message will telegraph or defray all expense to place the insured in the care of relatives or friends, with expense not to exceed $100. Benefits for hospital, graduate nurse indemnity and surgical fees are payable in addition.

The cost for such an outstanding type of insurance contract is only $33 per year, or less than 10c per day. Larger or smaller amounts may be obtained, and the cost of course is proportionate.

The Special Income Accident Policy briefly detailed is indeed valuable and the choice so obvious that any question about its practibility seems absurd when reviewed in terms of medical costs of today which are extremely high. The following statistical data should have particular significance. The average patient in a hospital stays for twelve to fourteen days and four (*Please turn to page* 470)

Lack of financial worry helps to shorten convalescent period. Low cost accident insurance makes this possible
Photo by Ewing-Galloway



No Rent Worries

By NATHANIEL M. GIFFEN, Jr.

Many American families faced the future with some apprehension when they retired for a restless night on Sunday, June 30, 1946. President Truman's OPA veto had doomed residential rent control to expire at midnight. With the exception of New York State, where Governor Dewey swiftly froze rents under an existing statute, there was good reason to fear the hardships of sharp rent rises. Jittery tenants awaited this severe jolt to their already strained finances . . . shelter was more than ever our No. 1 problem in the United States.

By July 3rd, rent increases from 10 to 50 per cent were reported in Chicago. And, in Philadelphia, traditional brotherly love was being abused to the tune of 20 to 30 per cent rent rises. Real estate people hoped to curb the rent rise to a general 15 per cent limit. However, it was apparent that many property owners were ignoring this appeal to reason. State governments hastened to enact emergency controls and members of Congress urged renewal of federal rent control with or without OPA.

Home Owners Well Situated

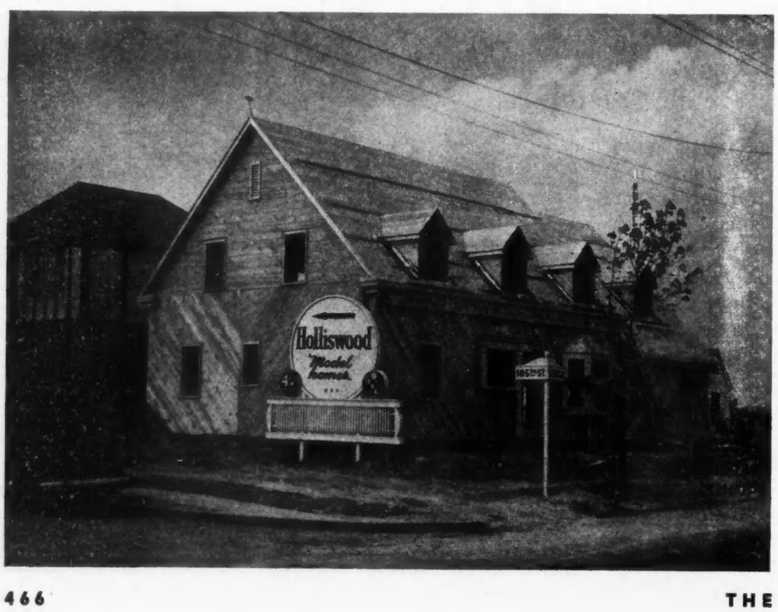
In the midst of this chaotic rent muddle, one group of Americans remained serene and untouched by this latest upheaval on the housing front. They retired with one major consolation on the troubled night of June 30th . . . these fortunate people were America's home owners. While renting neighbors often faced rent rise scares and frequently had the roofs sold over their heads, the home owner at least has been secure in the knowledge that he has enjoyed some economic immunity during these uncertain years.

Prior to the war, 324,320 or 15.7 percent of New York City families owned their homes. The 1940 census also tells us that 743,240 or 23.4 percent of New York—New Jersey Metropolitan Area families were home owners. Who are these people of special privilege? We look at the record and discover just average folks . . . little capitalists who had the foresight to settle their individual housing problems at a very advantageous time. They are far from rich . . . in fact, more than 60 percent had incomes of less than $2,500 in 1939. And, on June 30, 1946, these small home owners were better off economically and mentally than many renting neighbors who had greater financial resources.

Consulting Manhattan's oldest home financing institution, Serial Federal Savings & Loan Association, we find a perfect example of rent scare immunity. It's the case history of a modest community of several hundred homes developed in New Jersey just eleven miles from the George Washington Bridge. When these newly constructed homes were purchased in 1939, the average family assumed a monthly payment of only $32.50 which included amortization of mortgage principal, interest, real estate taxes and fire insurance. At that time, the head of the family had a modest, average income of $37.50 weekly. Since then the home owner's income undoubtedly has climbed but his housing payment has remained "fixed" at less than 25 per cent of his 1939 monthly income. Residents of this attractive community had no rental or housing worries to confront them as we entered the war.

Further examination of the records of this Association reveals a study of 100 home purchases made in the Metropolitan Area during 1940. These representative new home owners established their monthly housing fee at $38.86 which averaged 7 per cent less than former rents. What's more, their new quarters of five rooms and bath also had garage accommodations which had called for added expense under most rental arrangements. This sample group, with average incomes of $2,719, paid about $5,100 for

(*Please turn to page 487*)



Home ownership offers a maximum of protection against inflation for lower income groups.

Answers To INSURANCE *Inquiries*

By THE INSURANCE EDITOR

Being a subscriber to your Magazine I wonder if you would kindly advise me on the following.

I am a diabetic age 51 and not working. Own my own home, and single. Have $2,000 on endowment policy 30 year comes due in July this year. I have elected to take monthly payments of $15.80 for life. I also have an agency account with a reliable bank which now amounts in principal $30,000 containing about 20 good stocks. The yearly charge to the bank is about $100 a year. They send me weekly checks of $18 which helps pay my income tax. But it means always watching the stocks and buying and selling. This account has been with the bank for 2 years in which stocks have advanced greatly. My insurance agent has advised me to terminate this agency account and take an annuity for $30,000 which would pay me $125 a month for life and would eliminate all buying and selling with income guaranteed for life.

This account has grown (through profit) from $20,000 to $30,000 in 2 years. If I elect to terminate the agency account and take an annuity could I just transfer my stocks to the North Western Mutual Life Insurance Company or must I declare the capital gain on each stock in my income tax.

Would you advise me to make switch to annuity? It seems it would give me a larger income.

A.P., South Windham, Conn.

IT WOULD SEEM TO ME that in view of your present condition and general status that an Annuity would be an ideal plan to provide continuous income to you. Of course I would still continue to keep a modest amount of capital in the bank to provide for emergencies and such other incidentals as may arise in the future. Then, with the balance of $27,500 available you could purchase an Annuity of which the following are quotations of two companies.

For a single deposit of $27,500 the Equitable Life Assurance Society of New York will provide a monthly income of $114.68 without refund or $100.81 on an instalment refund basis. The Manufacturers Life of Canada would provide $121.55 per month without refund or $106.70 with refund. Beginning at the end of the second year the Equitable has been paying a Dividend, which is equivalent to between $4 and $5 for each $100 of income receivable under the annuity. However the Manufacturers Life rates are guaranteed rates.

As a subscriber to your magazine, I would appreciate any comment you have to offer on my situation.

I am 50 years old and I will have a small pension at 65 years of age, also insurance money from a policy if I am living at 65.

Now I reason that my living expenses will be greater between 50 and 65 than after 65 years of age. What I would like to know if I can get an "Annuity" for 15 years that will cost me much less than a life "Annuity."

C.B., Martinsville, Va.

In response to your request with reference to obtaining an annuity for fifteen years to be used as a stop-gap until your age 65 you can obtain what is known as a Temporary Annuity. That is for a stated sum such as $5,000 the Company will pay a monthly income of $32.80, payable each month during the next fifteen years.

This will give you the income up to age 65 at which time you will receive your pension and also your living costs will be less.

The return quoted above is that of one of the larger eastern companies, and the amount quoted is just an example, larger or smaller amounts are proportionate, depending upon the amount you decide to invest.

My husband is 69, and I am 55. We applied to the Blue Cross Hospitalization, were not accepted because he is over 65. We can get hospital coverage for myself with the Mutual Benefit Health and Accident, and for my husband with the United Benefit and Accident, both of Omaha, Neb. What do you know of the status of these Companies, and the nature of their policies?

Do you know of any reputable Company writing hospital coverage for a person 69 years of age? He has gone through a clinic lately and can pass a physical examination.

E.T., Ashland, Ky.

In response to your letter with reference to hospitalization coverage, I might add that there are a number of companies who issue this type of insurance, of which the two you mention are included.

For an up to date analysis of the companies you mention I would refer you to Alfred M. Best Company, 75 Fulton Street, New York, New York, whose business is exactly this.

Annuities provide assured, stable income without the necessity of worrying about planning security investments.

Photo by Ewing-Galloway

★ ★ ★

FOR PROFIT AND INCOME

★ ★ ★

Riddle

The restoration of the Canadian dollar to parity with the U. S. dollar should be a reminder to investors that the status of our money among world currencies is not immutable. Its internal purchasing value has now maintained a downtrend since 1939. The end of this depreciation in the commodity exchange value of the dollar is not in sight, regardless of what is done or not done about Federal price control. More basic than OPA is the fact that Washington has not seen a balanced budget since the 1929-1930 fiscal year. And it is not foreseeable when, or at what level, wage costs in industry will stabilize. The answer to the question of how high stock prices might go hinges in important degree on the related question of how low the dollar may go. There's the riddle. Don't forget that the measure of prices (the dollar) is itself elastic in terms of about everything except gold; and in terms of gold its historical trend has been downward, however infrequent the adjustments. The dollar will buy much less than in 1929 or 1937. To that extent, stocks are not as high, on a comparison with the 1929 and 1937 peaks, as they seem. This department does not know what the dollar may buy six months or a year hence, but there can be no debate on the proposition that a downward trend, of indeterminate duration, is in progress. Until its end can be foreseen—or even rationally debated—the bull side of the market should, in general, be a better bet than the bear side.

Increases Shown in Recent Earnings Reports

		Latest Period	Year Ago
Consolidated Laundries	24 wks. June 15	$.90	$.70
Crown Zellerbach	Year April 30	2.37	1.97
Firestone Tire & Rubber	6 mos .April 30	6.09	3.08
Kroger Co.	24 wks. June 15	2.28	1.34
Marine Midland Corp.	6 mos. June 30	.44	.37
National Pressure Cooker	6 mos. March 31	5.17	1.35
National Tea	24 wks. June 15	1.45	.57
United Fruit	6 mos. June 29	1.90	1.05
Wayne Pump	6 mos. May 31	1.03	.77
Wilson-Jones	9 mos. May 31	1.08	.82

Debate

Bullish and bearish opinion on the market has been fairly evenly balanced for some time, which explains why the composite average is no higher right now than it was as far back as January; and why the highs to date, made in late spring, were but modestly above the February highs. The considerable degree of caution now prevalent seems to this writer to be a good thing. Many people are thinking about "the top," whether in terms of now, or late summer or fall, or next spring. Relatively few seem to be putting it an indefinite distance ahead, or not thinking about it at all. We have never seen a bear market begin during so healthy a debate and with so many investors determined "not to get caught this time." The alternative is not necessarily a surprisingly protracted and spectacular advance. It could possibly be a sensible, selective market—with a moderate upward bias in the averages and with lengthy phases of technical correction—over a longer period than most people are now thinking about.

The Best Industry

From an investment or speculative viewpoint, e v e r y stock group is a pro and con proposition. None is all pro, few are all

con. If medium-term and long-term prospects are favorable, prices of the stocks will already have made substantial allowance therefor. The ideal investment would combine complete safety, with a good current or prospective yield and strong promise of appreciation. It does not exist. But if, at the present level of the market, you had to pick a single industry for long-term common stock investment, which one would it be? After considerable cogitation on that interesting question, this department's choice would be the oil industry. Here are some of the basic points in its favor: (1) As good a long-term inflation hedge as one could find; (2) an industry of relatively low unit labor costs; (3) assurance of important long-term growth in demand; (4) considerable promise in chemical by-products; (5) a sheltered tax position as concerns extractive operations; (6) long-term price prospects more bullish than for industry generally; (7) earnings and dividends now pointing up and likely, in the aggregate, to set new all-time highs next year; (8) market price-earnings ratios still moderate in most cases, often around 10 times, or less, the rate of annual earning power which should be attainable within the next six to nine months; and (9) clearly demonstrated tendency for earnings and dividends to show much above-average stability during depression periods. What's wrong with the picture marketwise? Well, the stocks are seldom among the fastest movers. But what do you expect for your money? We cited a number of individual oils here two weeks ago. This is just to back up, and amplify, the underlying reasons why we did so.

Tire Stocks

The excellent outlook for the tire and rubber-goods companies was emphasized in these notes, as well as elsewhere in our Magazine, long ago when the stocks were much lower than they are now. In view of the price stability which synthetic rubber can enforce, there seems no chance that these stocks can revert to so speculative a status as they occupied before the war. Moreover, there is every reason to believe that earnings will remain at good levels throughout next year, perhaps longer. Nevertheless, tire stocks would not be among this department's favorites for the remaining phases of the bull market. The cream is off. Probably the maximum earnings potential, or something very near it, will be realized this year. For months volume has been at a record level. It should overtake the accumulated demand in the replacement market in another six to nine months, with a consequent shift to a buyers' market and price competition. Earnings moderately under the brilliant 1946 results, or even just as good, would not be enough to enthuse the stock market. It goes for rising earnings. In view of the prospect for increased competition not so far ahead, tire company dividends probably will remain rather conservative, whether or not somewhat above present rates. All of which adds up to a feeling that, where there are big profits in these stocks, investors might well cash them, or at least part of them.

Dividends

The first half-year, cluttered with major strikes, was not a happy period for most of the manufacturing industries, especially those making durable goods. Yet the dividend casualties were relatively few and were much more than offset by sharply increased distributions among the so-called light industries, retail trade, utilities, etc. As a result, during the six months ended June 30, there were 261 increases in dividend rates, against only 76 in the first half of last year, while the number of initial payments rose from 137 last year to 374 this year. There will be a further increase in total payments of the consumer-goods lines, while heavy industries should come through with liberalized payments, on an average, by the year-end, should production for the second half be as good as now appears promised. The only thing that could upset this apple-cart would be soaring prices and another rash of strikes. In any event, aggregate year-end dividends will be larger than in many years. If things go reasonably well, or not too badly, on the labor front, the harvest for shareholders could be spectacularly good.

Liquor Stocks

The distilling companies are having an extraordinary earnings boom which certainly can not last forever. They would seem at first glance to be among those unlikely to improve much on present earnings. They are also among the industries in which normal competition is much keener, and operating margins considerably lower, than they are at present. Yet these stocks have held up much better than the general market during spells of softness so far this summer, and recently have been among the strongest issues. Why is this? Why are they not subject to the same kind of market reasoning as has brought other consumer-

(Please turn to next page)

Declines Shown in Recent Earnings Reports

		Latest Period	Year Ago
Bankers Trust Co. of N. Y.	6 mos. June 30	$1.51	$1.81
Bohn Aluminum & Brass	Mar. 31 quar.	.18	1.70
Chicago Yellow Cab	Mar. 31 quar.	.13	.28
Continental Motors	Year October 31	1.67	1.97
Lehman Corp.	Year June 30	1.38	1.45
Mueller Brass	6 mos. May 31	.75	2.08
Northwest Airlines	9 mos. March 30	1.27	1.42
Southern Rwy.	5 mos. May 31	.90	6.11
Spicer Mfg.	9 mos. May 31	.02	5.84
Zenith Radio Corp.	Year April 30	def.34	3.17

For Profit and Income

goods issues well down from their high? We are not too sure that we know the reason, but we suspect that it must be a good one, reflecting informed judgment, for the general public is not making the current market; and the stocks, except where splits are already effective, are in high-price ranges which little investors and speculators do not go for. If you want an uninformed opinion, here it is. Liquor companies, in the nature of their inventory situation, are among those best able to make hay in an inflationary era, and the inflation tempo is increasing. Moreover, the moral climate which follows a great war, together with the nerve tensions and free spending typical during inflation, may be expected to increase consumption of liquor to about the maximum level which available supplies will permit. Especially as to Schenley and National Distillers, we are not inclined to argue with the bullish market action. Probably they have a substantial further rise in dividends ahead.

In Brief

Revere Copper & Brass has a good chance of topping its phenomenal wartime sales next year, and of netting a record $4 a share or more. . . . C. I. T. Financial may earn less this year than last, due to the expense of reopening many offices, but is already piling up receivables which spell profit gains in 1947 and later. . . . Drug company earnings will show big gains for the year, but have already begun to level off on a quarterly basis. . . . Gold mining companies will be hurt more and more by rising costs as long as their selling price is fixed at $35 an ounce. . . . Wesson Oil & Snowdrift should earn around $4 a share for the fiscal year to end August 31, versus $2.83 a year ago. . . . The newly listed Mercantile Stores (Big Board) is one of the few trade issues which has been meeting strong demand. . . .

10 High Priced vs. 10 Low Priced Securities

(*Continued from page* 457)

around 80, have been 78% but in the lower price brackets Pure Oil at 27 has registered an advance of 70%. And 37% gains are shown alike for Sun Oil, priced at 75 and Socony-Vacuum selling at 18. But while the lower priced shares in both instances are akin to their near average yields, speculative forces have pushed the prices of the higher bracket issues rather out of line with the dividend factor.

Of all the 20 issues listed, Abraham & Straus in the retailers group holds the banner for percentage price gains with a record 182%, its shares enjoying arecent price of 144. But despite this, liberal dividend distributions still permit a yield of 3.1%. When it comes to the mail order houses like Sears Roebuck and Montgomery Ward, prospects for expanding sales and profits are so clearly marked that yields of scarcely little more than 2% are obtainable. As Montgomery Ward shares sell at 92 compared with 44 for Sears Roebuck, the price differential seems to carry little weight, but the gain achieved by the former in the past year and a half has been 117% against 39% for Sears.

Among the four steel companies listed on the table, the lower priced shares have had rather better fortune as to percentage rises in their shares. Republic with a yield of only 2.5% has topped the group with a gain of 112%. The 5.4% return obtainable upon Bethlehem shares reflects major strike difficulties experienced and an awareness that bookkeeping adjustments have tended to support reported earnings. But at that, the price of 111 shows that confidence in this strong concern runs high.

To sum up, wealthy investors in a position to buy high priced equities, while doing well for themselves, have had no monopoly in capital gains achieved.

Special Purpose Accident Policies

(*Continued from page* 465)

out of ten are required to pay surgical expense in addition to other charges. One family in every four has a member injured each year and fourteen out of every one hundred male workers were disabled due to off job accidents, that is accidents sustained where they are not eligible for workmen's compensation which covers injuries sustained while employed. Finally overall statistics show that one out of thirteen persons have an accident every year.

It will be self evident that a basic income accident policy will insure the loss of one's income just as life insurance insures through loss of life. For a small additional premium the policy can be endorsed to pay lump sum indemnity for loss of life through accident also. Hence in recommending the above type of coverage it must be borne in mind that an individual's most valuable asset is his ability to earn. By not protecting this is a needless hazard, and since earning power enables one to acquire and maintain all one's possessions, it seems needless to stress the value of adequate income accident coverage.

Keeping Abreast of Industrial and Company News

Pending final clarification of OPA, industry as never before is facing the acid test of self restraint in determining price policies. But signs are clear that whether or not Federal controls are restored, managements are determined to hold the line voluntarily as far as possible, to do their part in the battle over inflation.

Spearheading the over-all attempt to check the threatened price spiral, Ira Mosher, Chairman of the National Association of Manufacturers, has the following pertinent warning to all the members of his group; "You and every producer in this country will be judged for years to come by the price policies adopted in the immediate future".

Preliminary reaction of the Illinois Manufacturers Association, as expressed by James L. Donnell, executive vice-president, follows somewhat different reasoning. Claim is made that demise of OPA would permit many desperate marginal manufacturers to adjust prices at least to a level where they could stay in business.

Attitude of retailers is reflected by the statement of Lew Hahn, general manager of the National Retail Dry Goods Association, that his constituents not only will hold down prices to the limit to fight inflation but because public criticism would center on their segment of the economy if they failed in their effort.

Charles Walgreen, president of the Walgreen Co., operating 417 retail stores, has ordered them to hold to present prices "As the best way to demonstrate to the American public and to Congress that fair prices can be established competitively."

While some manufacturers of automobiles have announced that no immediate pdice rise is in sight for their products and all of them are cautioning dealers to hold the line, others naturally are obliged to temper predictions. For example, C.E.Wilson, president of General Motors Corp., explains that if inflation sets in on a serious scale, car prices would have to reflect the trend.

And so it goes all along the line, with hundreds of industrial leaders pledging their organizations to refrain from all unnecessary steps to boost prices just for the sake of profiting by scarcities. But with production on the up and up, competition sooner or later will become the dominant factor in all price considerations, with the public as arbiters.

Meanwhile, some record breaking orders are raising optimistic hopes in the breasts of several big industrial concerns. A.O.Smith Corporation, for instance now has on its books what is said to be the largest order ever placed for pipe. United Light & Railway Service is the buyer of 1,285 miles of 26 inch pipe to transport natural gas from Texas to Detroit. Price, around $19 million.

Pullman-Standard Car Manufacturing Co. also has boosted its already sizable backlog of orders by a contract probably the biggest negotiated since VJ Day. The Pennsylvania R.R., Atlantic Coast Line and two other roads jointly have ordered 95 streamlined cars with stainless steel sides and roofs.

Less in size but very significant is an order given Westinghouse Electric Co. for 244 electric elevators for the immense housing developments in Manhattan now under way under the ownership of Metropolitan Life Insurance Co. Stuyvesant Town, Peter Cooper Village and Riverton Houses will thus be served with 1 ton lifts, automatically operated, and at a cost of some $3 million.

Competitive trends between non-ferrous metals are highlighted by the Reclamation Bureau's award to Aluminum Company of Amrica of a contract calling for delivery of more than 2,000,000 feet of aluminum transmission wire for use in Arizona and California. Copper, of course, is more often used.

Despite strikes and mounting wage costs in 1946, earnings of rubber manufacturers have continued to prove eminently pleasing to shareholders. Latest evidence is a report by Firestone Tire & Rubber Co. for six months ended April 30, showing net earnings of about $12.8 million, equal to $6.09 per share. In the relative period last year net came to $10.4 million, or $4.88 per share.

Optimistic Charles E. Wilson, president of General Electric Co. refuses to allow maniold troubfles in 1946 to dampen prospects farther ahead. Unless he misses his guess, sales by his company in 1948 will top $1 billion and about 30,000 more employees than now will find jobs with G.E. Peak prewar volume was $679 million, and in war years $1.3 billion.

Already become a major competitor of ALCOA in the aluminum industry, aggressive Reynolds Metals Co. continues to expand capacity. WAA has agreed to lease to Reynolds the Government-owned aluminum extrusion plant at Phoenix, Arizona, along with an option of purchase. This largest plant of its kind in the country cost Uncle Sam more than $35 million to build and equip.

According to a survey by Frank Mansfield, director of sales research of Sylvania Electric Products, Inc., over 9.5 million families in the U.S. are thinking of buying television sets. Abount a third of those interviewed would pay from $250 to $500 a set if necessary, the bulk placing a $100 to $349 limit.

Supporting this evidence of increasing popularity of television, and enhancing potentials for the television industry, Lawrence Elliman, New York realtor, says that plans are materializing to construct a $60 million television picture center near Manhattan. 1000 acres and 24 motion picture studios are envisaged.

Inability of Sears Roebuck to get delivery of scarce items such as refrigerators, sewing machines, watches, sheets etc. has forced them to withdraw many offerings planned for their new catalog to be mailed presently. Hence although the book will be numbered for 1456 pages, there will really be only 1242. Even so, this will be more than a third larger than last year.

Due to the critical shortage of lumber supplies now seriously hampering the Veterans Housing Authority, the Government is going to make available some of its own tremendous timber holdings. First step will be to construct approach roads at a cost of $2 million, to permit contractors access to logging operations.

With hopes of producing 500 million paper bags per year, St. Regis Paper Co. has entered the Southern kraft and pulp industry. To implement the program St. Regis is paying $7.5 million for control of Florida Pulp & Paper Co. and a quarter interest in Alabama Pulp & Paper Co.

An increasing trend to shorten corporate names is something that should merit widespread public approbation. Latest crusader in this direction is American Type Founders Co., which hereafter will be known as simply ATF, Inc. Many other more top-heavily christened concerns please take notice.

The BUSINESS ANALYST

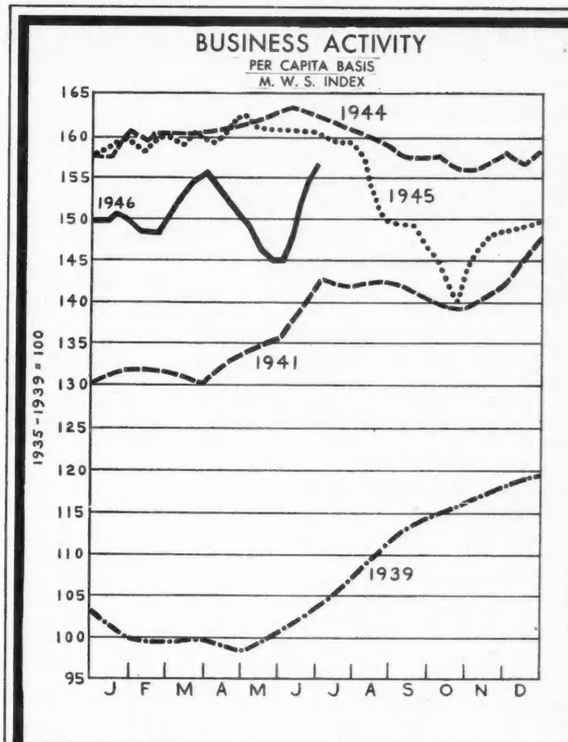
SUMMARY

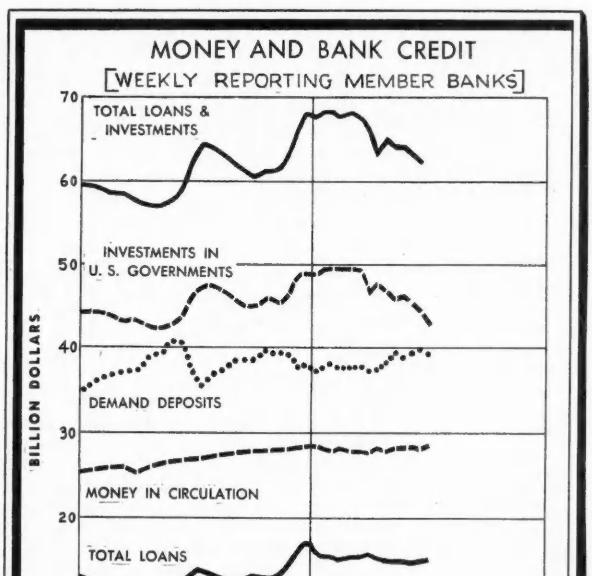
MONEY AND CREDIT—Government's 1946 fiscal year ends with deficit of $22 billion, against $54 billion a year earlier. Receipts, including $4.3 billion income tax drop, were only $3.5 billion lower; while expenditures shrank $35.4 billion. War-incurred expenditures, including interest on public debt, fell $35.4 billion; but non-war outlay rose $3 billion. With Treasury's cash balance down to $17 billion, further debt reduction will be discontinued after July. Clue to this change in policy might be found in Senator Taft's prediction that Federal deficit for 1947 fiscal year will be around $12 billion.

TRADE—Department store sales in week ended June 29 were 38% ahead of last year, against cumulative increase of 28% for year to date. No evidence yet that savings are being cashed to finance buying spree inspired by inflation talk.

INDUSTRY—In fortnight ended July 6, Business Activity expanded by an additional 2% to a level less than 1% below last year. Employment at new all-time high.

COMMODITIES—In first week following veto of price control extension bill, farm products rise sharply, food prices advanced moderately to compensate for loss of subsidies; but large business concerns pledge support to voluntary price control program.





Business Activity rebounded an additional 2% during the fortnight ended July 6, to a level less than 1% below last year at this time. Resumption of soft coal mining brought this publication's business index in June up to 165.6% of the 1935-9 average, compared with 159.1 for May and 174.4 for June last year. Average for the second quarter was 163.1, against 163.3 for the first quarter and 173.7 for the second quarter of 1945. Average for the first half was 163.2, compared with 172.5 for the first half of last year. On a per capita basis, our business index for June rose to 152.3% of the 1935-9 average, compared with 146.4 in May and 160.6 for June 1945.

* * *

Inspired in some measure by inflation talk, **Department Store Sales** in the week ended June 29 zoomed to 38% above last year compared with a cumulative increase of 28% for the year to date. Gossip of a buyers' strike at this junction is obviously sheer nonsense.

* * *

Neither is there any evidence that consumers are drawing heavily upon **Savings** to help finance the current spending orgy. Life Insurance sales in May were 54% ahead of the like period last year, compared with a five-months' rise of only 46%. Sales of U. S. Savings Bonds in the first half of 1946 exceeded cash-ins by $521 million. Savings Banks Deposits are still expanding.

* * *

Before taking current threats and predictions too seri-

(Please turn to following page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (ff) $b	July 3	0.63	0.76	2.43	0.43
Cumulative from Mid-1940	July 3	339.2	338.6	291.5	14.3
FEDERAL GROSS DEBT—$b	July 3	269.4	268.7	257.8	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	July 3	39.2	39.5	35.9	24.3
Currency in Circulation	July 3	28.4	28.1	26.8	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	July 3	7.40	7.39	6.91	3.92
100 Other Cities—$b	July 3	8.20	8.16	8.29	5.57
INCOME PAYMENTS—$b (cd)	Apr.	12.78	13.20	13.19	8.11
Salaries & Wages (cd)	Apr.	8.42	8.36	9.56	5.56
Interest & Dividends (cd)	Apr.	0.88	1.39	0.81	0.55
Farm Marketing Income (ag)	Apr.	1.40	1.37	1.42	1.21
Includ'g Govt. Payments (ag)	Apr.	1.55	1.43	1.57	1.28
CIVILIAN EMPLOYMENT (cb) m	June	56.7	55.3	53.5	52.6
Agricultural Employment (cb)	June	10.0	8.9	9.8	8.9
Employees, Manufacturing (lb)	May	12.6	12.5	14.8	13.8
Employees, Government (lb)	May	5.5	5.5	5.0	4.6
UNEMPLOYMENT (cb) m	June	2.6	2.3	1.0	3.4
FACTORY EMPLOYMENT (lb4)	May	137	136	160	147
Durable Goods	May	155	152	212	175
Non-Durable Goods	May	123	123	119	123
FACTORY PAYROLLS (lb)4	Apr.	249	233	333	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Mar.	40.8	40.5	45.4	40.3
Hourly Wage (cents)	Mar.	103.4	100.1	104.4	78.1
Weekly Wage ($)	Mar.	42.14	40.55	47.40	31.79
PRICES—Wholesale (lb2)	June 29	112.7	112.4	105.9	92.2
Retail (cdlb)	Apr.	144.4	143.4	139.9	116.2
COST OF LIVING (lb3)	May	131.5	130.9	128.1	110.2
Food	May	142.6	141.7	138.8	113.1
Clothing	May	155.4	154.3	144.6	113.8
Rent	May	108.4	108.4	108.3	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Apr.	7.40	7.21	5.46	4.72
Durable Goods	Apr.	1.26	1.13	0.82	1.14
Non-Durable Goods	Apr.	6.14	6.08	4.64	3.58
Dep't Store Sales (mrb)	Apr.	0.68	0.69	0.48	0.40
Retail Sales Credit, End Mo. (rb2)	Apr.	3.10	2.88	2.23	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Apr.	200	194	223	181
Durable Goods	Apr.	214	204	267	221
Non-Durable Goods	Apr.	192	188	197	157
Shipment (cd2)—Total	Apr.	205	197	286	183
Durable Goods	Apr.	205	184	389	220
Non-Durable Goods	Apr.	205	205	215	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Apr.	28.0	27.8	26.8	26.7
Manufacturers'	Apr.	16.8	16.8	16.3	15.2
Wholesalers'	Apr.	4.4	4.4	3.9	4.6
Retailers'	Apr.	6.8	6.6	6.6	7.2
Dept. Store Stocks (mrb)	Apr.	1.5	1.4	1.3	1.4

PRESENT POSITION AND OUTLOOK

(Continued from page 473

ously it may be well to recall that there are two kinds of **Buyers' Strikes,** voluntary and involuntary. In a Democratic country such as ours, where opinions normally divide about 50-50 on any matter of public policy, no voluntary buyers' strike could prove effective enough to precipitate a business depression. There will be too many people who "Want what they want when they want it" while at the same time applauding the efforts of others to hold down prices.

* * *

The thing to look out for is an **Involuntary** buyers' strike which will come, as it did in 1920, when production and prices (particularly rents) get too high for current incomes to absorb. Reconversion and Inflation have not reached that stage yet; but when they do we are likely to witness a sharp, though relatively brief, corrective slump.

* * *

Price Advances in the first week following the demise of O. P. A. have been largely confined, as was expected, to certain scarce farm products for which demand still greatly exceeds supply, and to essential food poducts—such as milk, butter, cheese, flour, bread, meats, coffee, canned and frozen fruits and vegetables—where the abrupt termination of subsidies made compensating price increases imperative.

* * *

High-cost copper, lead and zinc mines are also faced with the need to raise non-ferrous metal prices soon to offset the loss of Government subsidies; but are holding off a few days to see if Price Control in some form is to be revived. Generally speaking, **"Big Business"** is making determined efforts to hold down its own prices in order to strengthen its competitive advantage in the eventual change-over from a sellers' to a buyers' market, and to avoid responsibility for the next boom and bust catastrophe.

* * *

"Big Labor," as represented by the C. I. O., is already threatening to break recently signed contracts and demand further wage increases in anticipation of future price advances. The American Federation of Labor, on the other hand, has sensibly advised its members that they could best stabilize their wage dollars by increasing production and thus eliminate shortages.

* * *

The Census Bureau estimates Civilian **Employment** in early June at 56.7 million, the greatest in our history. For the first time since 1943, Agricultural Employment, though considerably below the previous high record, was nevertheless higher than a year earlier. Unemploy-

Production and Transportation

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	June 29	156.7	154.8	160.8	141.8
(M. W. S.)—I—np	June 29	170.6	168.7	174.5	146.5
INDUSTRIAL PROD. (rb)—I—np	May	160	165	225	174
Mining	May	116	104	138	133
Durable Goods, Mfr.	May	176	191	323	215
Non-Durable Goods, Mfr.	May	161	163	173	141
CARLOADINGS—t—Total	June 29	880	858	894	833
Manufactures & Miscellaneous	June 29	384	398	397	379
Mdse. L. C. L.	June 29	130	128	108	156
Grain	June 29	48	45	62	43
ELEC. POWER Output (Kw.H.) m	June 29	4,133	4,129	4,353	3,267
SOFT COAL, Prod. (st) m	June 29	12.0	11.9	11.8	10.8
Cumulative from Jan. 1	June 29	235	223	297	446
Stocks, End Mo.	May	31.6	38.7	44.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 29	5.0	4.9	4.9	4.1
Gasoline Stocks	June 29	92	93	86	88
Fuel Oil Stocks	June 29	46	47	41	94
Heating Oil Stocks	June 29	38	36	33	55
LUMBER, Prod. (bd. ft.) m	June 29	458	491	518	632
Stocks, End. Mo. (bd. ft.) b	Apr.	3.4	3.4	3.6	12.6
STEEL INGOT PROD. (st.) m	May	4.07	5.86	7.45	6.96
Cumulative from Jan. 1	May	21.7	17.6	36.3	74.7
ENGINEERING CONSTRUCTION AWARDS (en) $m	July 4	124	129	31	94
Cumulative from Jan. 1	July 4	2,756	2,632	906	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 29	166	158	166	165
Hosiery Production (pairs)m	Apr.	157	156	134	150
Hide & Lthr. Stks., End Mo. (hds.)m	Apr.	12.3	13.1	12.0	14.0
Anthracite Coal Production (st)m	Apr.	5.1	5.5	5.1	3.8
Machine Tool Shipments—$m	May	26.6	28.1	39.8	76.4
Cigarettes, Domestic Sales—b	May	29.9	25.4	21.3	17.1

PRESENT POSITION AND OUTLOOK

ment, estimated at 2.56 million, was a quarter million larger than a month earlier, owing mainly to closing of schools for the Summer.

* * *

Factory Hourly Wages reached an average of $1.00 in April, a new all-time high, and are estimated at $1.07 for May. Owing to shorter working hours, however, weekly wages are still below the war-time peak.

* * *

Corporate cash **Dividends** disbursed in April were 9.4% more liberal than in the like period in 1945, compared with a gain of only 5.4% for three months ended Apr. 30. The largest increase (65%) in the three-months' period was for the railroads, owing mainly to the payment in April of a $5 dividend on C. & N. W. Pfd. Stock, which paid no dividend in the corresponding February-April period last year. Manufacturers' dividends were off 1%.

* * *

Followers of the M. W. S. **Common Stock Index** will be pleased to note that in the tabulation below are presented the indexes for June 1, inadvertently omitted from our issue of June 8. Students of the statistical section of the **Business Analyst** may also be interested to learn that, beginning with the current issue, we are substituting the actual monh-end dollar value of **Department Store Inventories** in place of the adjusted index.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100 cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonably adjusted Index 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Streeet, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment and Charge accounts. st—Short tons. t—Thousands tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Cl.—100)	1946 Indexes *June 1	June 22	June 29	July 6
300 COMBINED AVERAGE	191.7Z'	179.4	180.4	180.8
4 Agricultural Implements	265.7Q	242.4	248.3	252.2
11 Aircraft (1927 Cl.—100	250.9	238.2	237.7	234.1
6 Air Lines (1934Cl.—100)	1041.4	988.5	982.7	967.1a
5 Amusement	201.3	187.3	191.0	186.8
15 Automobile Accessories	322.2	297.6	293.8	290.0
11 Automobiles	60.5	55.1	55.6	55.5
3 Baking (1926 Cl.—100)	23.7	23.4	24.6	24.9
3 Business Machines	356.8	338.4	344.8	360.3R
2 Bus Lines (1926Cl.—100)	229.9Z	212.6	211.9	213.7
4 Chemicals	290.2R	274.0	281.7	281.5
2 Coal Mining	28.9	27.5	27.3	26.6
4 Communication	85.2	79.9	78.5a	78.9
13 Construction	85.1H	79.3	79.6	78.8
7 Containers	449.1	435.6	438.8	435.6
8 Copper & Brass	139.0	128.0	128.3	129.6
2 Dairy Products	80.1	76.3	76.3	76.6
5 Department Stores	126.7	110.3	112.1	112.3
5 Drugs & Toilet Articles	274.4	248.6	253.2	253.2
2 Finance Companies	313.3	294.0	304.2	299.8
7 Food Brands	234.5	220.2	223.2	227.6
2 Food Stores	100.3Q	91.1	89.8	93.8
3 Furniture	125.8R	113.7	116.0	113:9
3 Gold Mining	1144.7	1084.2	1086.6	1064.1a

(Nov. 14, 1936, Cl.—100)	*June 1	June 22	June 29	July 6
100 HIGH PRICED STOCKS	112.55Y	106.06	107.01	107.73
100 LOW PRICED STOCKS	244.41	228.58	228.38	228.44
6 Investment Trusts	84.1P	76.0	76.8	77.3
3 Liquor (1927 Cl.—100)	1252.9	1244.0	1291.0	1348.9Z
8 Machinery	206.2	189.0	194.4	193.0
3 Mail Order	198.0	175.0	178.6	179.7
3 Meat Packing	131.8Z	124.0	122.0	126.7
13 Metals, non-Ferrous	270.9	250.2	251.1	253.5
3 Paper	43.5	39.7	42.0	41.3
23 Petroleum	227.0Z	212.9	218.4	221.6
20 Public Utilities	164.4	157.4	159.0	153.6
5 *Radio (1927 Cl.—100)	36.5	32.6a	33.3	33.5
8 Railroad Equipment	105.9	98.5	100.9	98.6
22 Railroads	38.5	37.8	37.1	36.3
3 Realty	41.4	37.6	36.3a	37.9
2 Shipbuilding	161.5	157.9	155.8	154.6
3 Soft Drinks	647.0Z	589.5	582.1	593.0
12 Steel & Iron	147.5	140.5	149.3H	147.3
3 Sugar	84.7	78.0	77.4	79.8
2 Sulphur	294.9	279.7	283.1	279.3
3 Textiles	189.7Z	173.1	172.8	172.8
3 Tires & Rubber	48.9	44.1	45.6	45.3
5 Tobacco	98.3	93.0	93.6	94.1
2 Variety Stores	399.3Z	354.0	372.0	372.0
18 Unclass (1945 Cl.—100)	116.1	108.9	111.1	110.6

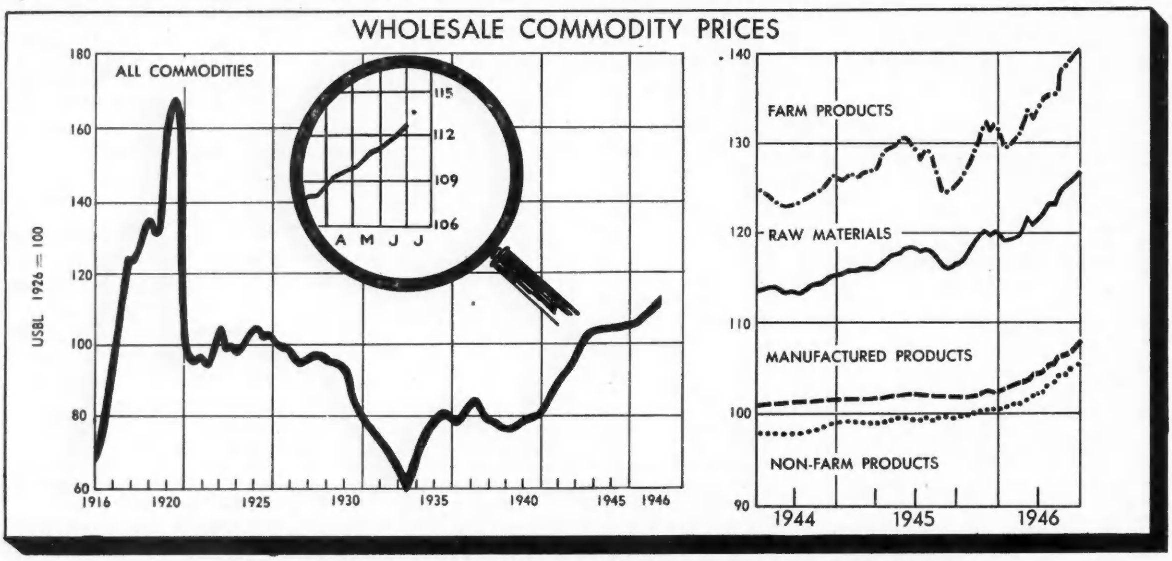
HIGHEST since: A—1945; H—1937; P—1931; Q—1930; R—1929; Y—Nov. 14, 1936. Z—All-time HIGH. a—LOWEST since 1945.
*—Inadvertently omitted from our issue of June 8.

Trend of Commodities

July marked the first month of free commodity markets in a number of years. The President's unexpected veto of the OPA bill removed price controls on commodities overnight. The futures market rallied sharply. On the day before ceilings were removed the Dow-Jones index was 118.13. The following day it rose 1.35 points and continued upward until it reached 120.41. After that the market declined sharply. Cottonseed oil futures rose the 100 point daily limit for 3 days to a gain of 344 points above the old ceiling. Corn futures scored 5 consecutive 5c advances only to break 10c from the top on the fifth day. The initial move was upward in all commodities, but it did not hold. By the end of the first week both egg and oats futures were at the lowest level in a number of months. The law of supply and demand was again in operation.

Spot prices were also sharply higher. The daily index of wholesale commodity prices advanced 9 per cent in three days. There was a marked difference in the advance of each group; foodstuffs were up 18 per cent, farm products 14 per cent, imported commodities 6 per cent and industrial commodities only 2 per cent. The large rise in foodstuffs and farm products was due mainly to the removal of subsidies. For example in the case of wheat for flour the Government was paying a subsidy at the rate of around 47c per bushel.

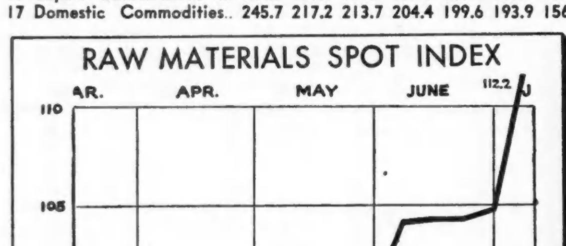
The first week of free trading did not confirm the views of those who were predicting dire results with the elimination of OPA. In all cases prices were far below the old black market levels. And what is more important, there was a record increase in supplies moving to market. Meat was more plentiful than at any time in years. The elimination of subsidies will mean a saving of one billion dollars for our national treasury. While retail prices will advance further, there will be no inflation in this country. The Administration could bring about a period of deflation if it really wanted to do so.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

	Date July 6	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	221.5	198.1	196.2	190.4	186.9	183.7	156.9
11 Import Commodities	188.7	171.9	171.9	170.7	168.9	168.9	157.5
17 Domestic Commodities	245.7	217.2	213.7	204.4	199.6	193.9	156.6

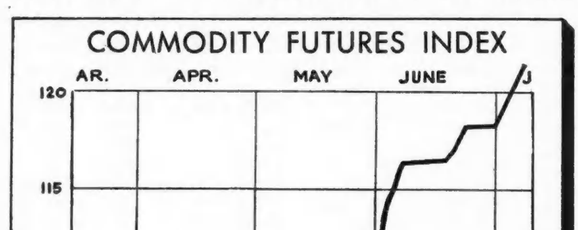
	Date July 6	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agricultural	289.1	255.3	252.5	240.6	232.6	227.2	163.9
12 Foodstuffs	282.4	227.2	222.9	216.7	212.6	209.2	169.2
16 Ra Industrials	184.4	178.6	178.1	172.6	169.7	166.5	148.2



14 Raw Materials, 1923-5 Average equals 100

Aug. 26. 1939—63.0 Dec. 6. 1941—85.0

	1946	1945	1944	1943	1941	1939	1938	1937
High	112.2	95.8	94.5	92.9	85.7	78.3	65.8	93.8
Low	95.5	93.6	91.8	89.3	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1946	1945	1944	1943	1941	1939	1938	1937
High	120.41	106.41	98.13	96.57	84.60	64.67	54.95	82.44
Low	104.21	93.90	92.44	88.45	55.45	46.59	45.03	52.03

COMMODITY HIGHLIGHTS

FARM PRICES . . . It must be remembered when speaking of the price level that the composite index is made up of a number of small groups. The chart reveals that the all-commodity index is still far below the inflation peak reached in May 1920. The trend is still up and we see no reason to change our views that it will continue up for most of 1946.

As we analyze the various groups, the picture is a lot different. The Department of Agriculture has a very comprehensive index of farm prices using the base period 1909-14 as equal to 100. In May 1920 this index reached the record high of 235. In June 1946, before ceilings were removed, this index advanced 7 points to reach 218. At this level it was only 17 points below the 1920 peak and in view of the advance in the first half of July it is quite possible that the earlier peak has now been reached.

Let us examine what has happened to some of the groups included in the farm products index. Meat animals had an index of 182 in May 1920; they were 226 in May 1946. Fruits reached 199 in May 1920; they were 248 in May 1946. Poultry and eggs registered 192 in May 1920; they were 196 in May 1945.

Thus it can be seen that prices for a number of farm product groups are already well above the level reached in May 1920. Other groups are lower, but are advancing rapidly. The action of several farm prices when all ceilings were removed plus the current outlook for the new crop leads us to make the following prediction—THE PEAK OF THE SECOND WORLD WAR RISE IN FARM PRICES WILL BE REACHED IN JULY 1946.

Much of the recent disagreement on price decontrols was over meat animals. As we have shown, prices are already above the May 1920 price. With a period of no controls we are inclined to look for lower rather than higher prices. There were 31,838,000 head of beef cattle on the farm as of January 1, 1946, compared with only 23,617,000 on January 1, 1939. There were 7,243,000 steers on January 1, 1946, compared with only 5,192,000 on January 1, 1939.

WORLD PRICES . . . If we are to make a fair prediction of price movements in the United States, we must see what is going on in the rest of the world. The best index of world prices at this time is the daily commodity index published by Reuters of England. This index is composed of 21 agricultural and industrial raw material items. It uses the base period of September 18, 1931, as equal to 100. It has been published daily throughout the war period and gives us a reliable guide as to price movements.

Prices in Great Britain are probably more representative of world prices than those of any other country. This is because England imports the bulk of her raw materials and obtains some item from practically every country in the world. A decline in that index might be due to the importation of goods from the United States at lower prices. In that case our own index would have already passed its peak. The British index might be lower because of a decline in the price of numerous items imported from other countries. In that case the American index would soon decline, for we could not stay above the world level for any length of time.

The following table shows the yearly high and low from 1941 to date:—

	1946	1945	1944	1943	1942	1941
High	278.1	245.6	220.4	204.7	194.0	187.2
Low	245.6	220.3	203.1	193.6	184.5	178.1

This series of figures shows us several things. In the first place the index at 278.1 show us how far prices are above those of 1931. In the second place it will be noted that the spread between the high and low has widened each year. In May 1941 it amounted to 9.1 points. By 1944 it amounted to 17.3 points. With only half the current year gone, the spread already amounts to 32.5 points. Thus it may be that we are in the final phase of the upward movement.

Although the sharpest advance in the United States took place in the last 60 days the British index has remained fairly steady during this period. The low point in June was 270.2, while the high point for July to date is only 278.1. We believe this is due to the rapid recovery in many European countries at this time. Foreign trade is expanding at a tremendous pace and will be much larger three months from now. This trend leads us to make the following prediction:—THE REUTERS INDEX WILL REACH ITS PEAK IN THE CURRENT QUARTER.

Questions Asked by Investors

(*Continued from page* 430)

gross ton for iron ore in the East and 3 cents in the Southern and Western districts, and a flat increase of 3 cents a ton for anthracite coal and coke. In 1945, railroads in the Eastern district earned a 4.30 per cent return on total capital investment, as compared with a 7.45 per cent return for Southwestern carriers. Hence, the difference of an additional 5 per cent increase.

Naturally, railroad managements were not satisfied with this increase; but the impending hearings may show that in many cases it will be less inadequate than originally appeared to be the case because traffic volume (carloadings) are again beginning to pick up substantially. Earlier this year they were running as much as 22 per cent behind 1945; but in the latest reported week they were within one per cent of the previous year's totals. Demonstrating that railroads are essentially a volume industry it is interesting to note that in the first quarter of this year net income of Class 1 carriers declined to an estimated $17 million as compared with $139.4 million in the same 1945 period. The large reduction resulted mostly from the fact that gross revenues were off 18.3 per cent.

Of course, the 18½ cents a hour wage increase granted on May 22 was made retroactive to the first of the year but notwithstanding this it is believed that with a further adequate freight rate increase and a cessation of strikes in basic industries, the last half of 1946 should show a favorable earnings performance.

Rising Cost of Living

QUERY — I understand that after all previous wars, the cost of living in the United States increased 100% before deflation set in. Will you please give me an accurate cost of living index today as compared with that before World War II.

E.J., Lynbrook, N. Y.

ANSWER—In asking for a reliable cost of living index you have touched upon a highly controversial subject. Prices are in a continuous state of flux currently and few people agree as to just what items should be used as a basis for any index. According to the U. S. Bureau of Labor Statistics, their widely quoted index shows that at the end of May, 1946, living costs had risen to a level of 132.1 from a base of 100 for the 1935-39 average. Food, rent, clothing, utilities and home furnishings comprise the major basic costs in the Federal index. But these make no allowance for black market prices or varying consumer needs. Hence the Government figures are generally considered not fully realistic.

Strike Outlook

QUERY—Since strikes caused us much trouble earlier this year, I wonder if we will have more setbacks from now on. Do you think that Mr. Lewis or any of the other labor leaders will be calling new strikes?

G. G. M., Alemeda, Calif.

ANSWER — Unless an inflationary spiral really assumes serious proportions in the near term, it would be our guess that a repetition of widespread strikes in the major industries will not be an immediate threat, but could develop later this year. A prolonged strike inevitably takes a tragic slice of hard earned savings, and lost wages often take years for recovery through an advanced scale. While strike threats will perhaps feature the news, both workers and managements have learned as never before the foolish waste from time lost in production. Moreover, if prices cannot be held down, profit margins are bound to expand enough to warrant many amicable wage adjustments without recourse to broken contracts and disastrous strikes. Hence while danger of further strikes may not subside, neither side is likely to have the courage to allow them to materialize in the near future.

Varying Impact of Shortages on Individual Companies

(*Continued from page* 443)

relationships all improving the fortunes of integrated paper companies should soon be on an ascending plane.

Representative of paper manufacturers whose stocks are listed on the New York Stock Exchange and well situated to participate in any favorable developments in the industry are West Virginia Pulp & Paper, Crown Zellerbach, and International Paper. The first two of these should share in the expansion of sales of white papers which is so generally expected; while International Paper is a leading factor in the improving newsprint paper field.

It is a widely known fact that shortages of metals and wood have caused manufacturers to cast around for substitute materials with the result that the demand for synthetic materials—plastics — has increased enormously. Despite this, supply prospects for plastics are brighter than for most raw materials. It is estimated that some $125 million of new plants and facilities of producers will be in operation by the end of this year; and from now on output of plastics materials should increase faster. In this connection the society of the Plastics Industry expects 500 million pounds of moulding and extrusion materials to be available early in 1947—or five times the 1939 output and nearly double the 1944 figure.

Of all plastics raw materials, polystyrene appears to have the best production prospects as greater polymerization equipment becomes available and synthetic rubber makers ease up on their use of styrene, the basic raw material. Some estimates project polystyrene production to around the 8-10 million-pounds-a-month level by next winter as against 3 million pounds a month at present. Some important producers of polystyrene, whose stocks are listed on the New York Stock Exchange, or the New York Curb Exchange, are: Union Carbide & Carbon (manufactures bakelite); Catalin Corporation, (loalin); Dow Chemical Company, (styron); and Monsanto Chemical Company, (lustron.)

In summary, it is apparent that shortages in industry (whether caused by strikes, inadequate labor supplies, pricing obstacles, lack of machinery, or reduced imports) are so widespread that there is hardly a company that is not handicapped in some way by them. It has been our object, therefore, to select a few companies either relatively free from problems of scarcity, or in a position to benefit from the trend toward substitution. Whether or not termination of the functions of the Office of Price Administration will greatly affect this problem one way or another remains to be seen, although if the economic principle of the relationship of supply and demand to competitive price is given time to operate freely it should in time supply the solution.

Shifting Scenes for the Movies

(*Continued from page* 454)
close of 1945 amounted to $53,-558,758, an increase of $4,712,-278 over 1944 and compares with $28,262,546 at close of 1935. Total assets at end of 1945 aggregated $148,988,983 as compared with $118,940,434 at close of 1935. Gross revenues for 1945 amounted to $162,360,864, as compared with $157,687,106 in 1944 and $93,274,855 in 1935. For the quarter ended March 30, 1946, net profit was $11,587,000, including undistributed earnings of partially owned non-consolidated subsidiaries, equal to $3.09 a common share, as compared with $4,007,000 in like period of 1945 equal to $1.07 a share.

Earnings in the second quarter of 1946 are running at the same rate as the first quarter according to Barney Balaban, President of the company. Mr. Balaban further stated "that while much of the improvement in earnings was due to lower taxes, both gross and net income is running ahead of 1945. The return of several million service men plus increased leisure as result of shorter working hours in industry have brought a substantial gain in box office attendance." He further stated, "our experience over many years has shown that moving picture income constitutes a fairly constant proportion of consumer expenditure and it is my belief that so long as consumer expenditures remain at present levels, box office revenues will continue at present levels."

Efforts are being made by Paramount to increase foreign business and it is the aim of the company to bring foreign income up to the level of domestic income. Acquisition or building of foreign theatres has been delayed by inflation prices abroad but Paramount plans to acquire show window theatres in many important foreign cities. Countries subject to Russian domination are completely closed to American films. Stockholders of the company recently approved a two for one split of the common shares.

Warner Brothers, one of the major units in the motion picture industry, is also engaged in all phases of the business, including production and distribution. It operates about 500 theatres, of which 237 are owned in fee and 261 are leased, and owns approximately 25 per cent interest in Associated British Pictures Corporation Limited, operating more than 400 theatres in Great Britain. Through a British subsidiary, the company owns an additional 12½ per cent of Associated.

Warner Bros. is one of the few motion picture companies that did not go through recapitalization during the 1930's, this in spite of large amount of funded debt and bank loans. On August 29, 1936, long term debt outstanding was in excess of $77,-000,000 which amount has been reduced to less than $24,000,000 in June 1946. Net profit for year ended August 31, 1945 amounted to $9,901,563, equal to $2.68 a share on 3,701,090 shares of common stock, comparing with $6,953,462 or $1.88 a share in preceding year. Total revenue amounted to $146,618,251 against $141,183,039 in preceding year and compares with $90,-655,502 in year ended August 29, 1936.

For the six months ended March 2, 1946, net profit amounted to $9,125,532, almost equalling results for the entire preceding fiscal year, equal to $2.46 a share, comparing with $4,605,088 or $1.24 a share in six months ended February 24, 1945. Gross revenue for the six months amounted to $79,458,584 as compared with $68,228,262. Net working capital on March 2, 1946, exceeded $38,000,000 in spite of the large reduction in long term debt, and compared with net working capital of $3,-380,734 on August 29, 1936. Stockholders will vote August 1, 1946 on a proposal to split the stock two for one. Proposal has already been approved by the directors.

Radio Keith Orpheum Corp. is primarily a holding company whose subsidiaries are engaged in all phases of the business, including production, distribution and exhibition of motion pictures. It operates 115 theatres of which 54 are owned in fee, 10 on leased land and 51 leased. The company was reorganized in 1939, and since that time has made rapid and substantial progress. Preferred stock originally outstanding in the amount of 122,960 shares (6 per cent cumulative, par $100) has been eliminated, balance of 2,019 shares not converted into common stock was called for redemption early in 1946. Funded debt now consists of $22,000,000 of 3 per cent debentures of RKO Theatres, Inc., as compared with total long term debt of approximately $39,000,-000 in 1939.

For the year ended December 31, 1945 company reported net profit of $6,031,085, equal to $1.59 a share on 3,791,661 shares of common stock outstanding, giving effect to conversion and retirement of preferred stock, and compared with $5,206,378 or $1.56 a common share after dividend requirements on preferred stock then outstanding in preceding year, and based on 2,873,053 common shares. Gross income was $96,118,000 against $84,902,-000. For the quarter ended March 31, 1946, net profit was $3,675,953 or 97 cents a common share, comparing with $1,141,044 or 33 cents a common share in like period of 1945. In 1941 a net profit of $538,693 was shown, and deficits were incurred in 1940 and 1939. Of the profit before taxes, earned in 1945, nearly $5,-000,000 was earned by the picture company and $6,600,000 by theatre operations.

Company's report for 1945 states that more pictures of major importance will be available for release than in any one year heretofore; that the company has an adequate reserve of completed feature pictures which will allow a more even and diversified picture schedule; and that of twenty important features on the tentative 1946 release schedule, photography has been completed on all but one and this is now before the cameras. Company will utilize its frozen French credits by making a series of films

in Paris in conjunction with Pathe Cinema, French producing company, according to a recent announcement by the company.

Universal Pictures Co., formerly under name of Universal Corp., was merged with subsidiary Universal Pictures Co., Inc., to form Universal Pictures Company, Inc., in 1943. It produces and distributes pictures, but does not own theatres. In November 1945, participated in formation of International Pictures Corp. to be owned jointly by Universal and the Leo Spitz-William Goetz interests, and company will produce a minimum of eight top features annually for world wide distribution through a new organization to be known as United World Pictures Co., Inc., which would also distribute British and other American films, and would be jointly owned by International Pictures Corp. and the J. Arthur Rank interests of Great Britain.

Net profit for year ended November 3, 1945, amounted to $3,-910,928 equal to $4.86 a share on 804,219 shares of capital stock and compares with $3,412,701 or $5.15 a share on 662,592 shares in preceding year. For 26 weeks ended May 4, 1946 net profit was 2,576,405 equal to $3.09 a share on 818,954 shares, comparing with $2,064,175 or $2.67 a share on 773,930 shares in like period of preceding year. Net current assets on November 3, 1945 amounted to $23,030,555 and compared with $6,072,570 on October 31, 1946. Total income from operations in year ended November 3, 1945 amounted to $51,049,428 and for year ended October 31, 1936, amounted to $17,415,636. In the 1936 period, a loss of $2,232,038 was reported. Long term debt on November 3, 1945 amounted to $6,-758,000.

Columbia Pictures Corp. is engaged in all phases of the motion picture business, except exhibition of films. For fiscal year ended June 30, 1945, company reported net profit of $1,945,167 equal after preferred dividend requirements, to $4.43 a share on 392,-987 shares of common stock, comparing with 2,005,835 or $4.89 a common share in preceding fiscal year. A 50 per cent stock dividend was paid in December 1945 on the common stock. Gross income was $36,013,753 against $37,092,134 in preceding year.

In the year ended June 30, 1936, gross income was $15,301,-552. Net working capital on June 30, 1945, amounted to $21,-595,768 as compared with $15,-524,341 on June 30, 1944 and $8,890,000 on June 27, 1936. Total assets on June 30, 1945 amounted to $29,007,000 and compared with $13,520,000 on June 27, 1936. For 39 weeks ended March 30, 1946, company reported net profit of $2,315,000 equal after preferred dividend requirements, to $3.62 a share on 595,447 shares of common stocks,

(*Please turn to page* 483)

What Potentials in the Plywood Industry?

| (*Continued from page 459*)

pared with $784,691 or $1.48 a share on 433,524 common shares in preceding year. For the year ended June 30, 1936 a net profit of $136,784 was reported. For nine months ended March 31, 1946, net profit was $917,769 or $1.74 a share as compared with $851,067 or $1.53 a share in like period of preceding year. Net working capital on March 31, last, aggregated $2,491,511. Atlas has no funded debt. Dividends have been paid in all but three years since 1925.

Although not primarily a plywood producer, Evans Products Co. produces considerable molded plywood for its own manufacture, and produces parts for the furniture trade. In addition Evans manufactures Venetian blind slats, battery separators, auto loaders, home and water heaters, utility loaders, thermo control fans, auto railers and automotive heaters and ventilators, etc. Although earnings have shown wide variation, a deficit was incurred in only one year since 1933, when a loss of $502,021 was shown, due to drop in auto loader business in that year. Company under its late president, E. S. Evans, constantly developed new products. Net profit for year ended December 31, 1945 amounted to $761,909 equal to $3.12 a share on 244,191 shares of capital stock as compared with $420,197 or $1.72 a share in preceding year. Net working capital increased to $3,857,603 as compared with $2,750,990 at close of 1944 and equity per share increased to $25.61 from $23.55. Long term debt increased to $2,194,500 compared with $608,600 at close of 1944 as a result of purchase of a new modern plant from the RFC. New plant would increase capacity and contribute to more economical operations. For the quarter ended March 31, 1946, company reported a net loss of $277,604.

Mengel Co. is the largest manufacturer of hardwood products in the United States and also produces corrugated fibre shipping containers. Company owns 8,900 acres of timberland in Louisiana and Mississippi and 38,300 additional acres of stumpage in those states. American Liberty Oil Co. is engaged in drilling for oil on an 8,000 acre tract leased from the Mengel Co., and thus far eight flowing wells have been brought in. A subsidiary, Mengel Mahogany Logging Co., owns cutting rights on 295 square miles of land in West Africa, and a sawmill is being erected there, with plans being made to build a rotary cutting veneer mill. It is estimated that the African tract contains several billion feet of timber.

Mengel's furniture division will produce its own nationally advertised branded line of household furniture under trade name of Mengel Permanized Furniture. Permanizing will keep the joints and veneered surfaces from coming apart in any climate no matter how damp or dry, or how hot or cold, and the furniture will also feature an easy sliding drawer called the permaslide drawer. Both of these features are developments of the Mengel Co.

Net sales of the company climbed from a low of $3,743,000 in 1932 to a high of $27,723,000 in 1943, and for year 1945 aggregated $25,117,000 as compared with $25,060,000 in 1944. Net profit for year ended December 31, 1945 was $928,555, equal after dividend requirements on 66,855 shares (par $50) of 5 per cent cumulative convertible preferred stock and 96 shares (par $100) of 7% cumulative preferred, to $1.66 a share on 457,116 shares of common stock, comparing with $881,989 or $1.72 a share on 417,681 common shares in preceding year. Net working capital at close of 1945 amounted to $5,265,000 as compared with $5,032,000 at close of 1944. Long term debt at close of 1945 aggregated $2,350,000. For quarter ended March 31, 1946 net profit was $179,122 equal to 30 cents a common share as compared with $211,042 or 41 cents a common share in March quarter of 1945. Net sales for the quarter totaled $5,079,000 against $6,736,000 in like quarter of preceding year.

United States Plywood Corp., one of the leading softwood plywood manufacturers (capacity approximately 120,000,000 square feet) and in addition purchased a substantial amount from other plywood manufacturers, and also is a substantial manufacturer of hardwood plywood. Substantial timber reserves are held by the company and new acquisitions are constantly being made. Products are sold under tradename of Weldwood, Armorply, Weldtex, Tekwood, Tempreg molded plastics, Flexwood and Flexglass (in combination with the Mengel Co.) and industrial adhesives. Products used for all types of building work, airplane construction, boats, doors, panels, molded and tubular products, etc.

Net sales of the company have shown a tremendous growth, increasing from $3,976,000 in year ended April 30, 1938 to $29,375,000 in year ended April 30, 1945. Net profit for year ended April 30, 1946 amounted to $1,498,000 equal after preferred dividends to $1.98 a share on 699,864 shares of common stock comparing with $1,216,000 or $1.60 a share on common stock in preceding fiscal year.

Sales and net profit of Siuslaw Forest Products, Inc. and U. S.-Mengel Plywoods, Inc., each 50 per cent owned by United States Plywood Corp., have been excluded from the consolidated figures. U. S.-Mengel's sales were $2,948,000 and net profit $190,400 and Siuslaw's sales totaled $1,258,000 and net profit $10,000. U. S. Plywood's equity in these earnings for the latest fiscal period equals approximately 14 cents per common share. Net working capital on January 31, 1946, amounted to $6,743,000. As part of its expansion program, company is engaged in building a $400,000 veneer mill in Canada and a $1,000,000 plant in Orangeburg.

Weyerhauser Timber Co. is engaged in all phases of the timber business. Subsidiaries operate plywood plants, steamship lines, logging railroads, etc. Owns approximately 1,200,000 acres of land in Douglas fir belt of Washington and Oregon. Operates eleven saw mills, two pulp mills, box factory, shingle plant and two plywood plants. Company is at present engaged in building plywood plant with capacity of 50,000,000 square feet of lywood, and a smaller plywood unit, in addition to other plants. Total sales of the company increased from $27,451,000 in 1938 to $74,833,000 in 1942. For year ended December 31, 1945 total sales aggregated $60,656,000 as compared with $74,609,000 in 1944. Net profit for year ended December 31, 1945, was $8,117,455 equal to $2.71 a share on 3,000,000 shares of capital stock as compared with $9,506,767 or $3.17 a share in preceding year. In 1938 net income was $2,338,014 or 78 cents a share. Net working capital at close of 1945 amounted to $19,526,000 as compared with $17,512,000 in 1944. Total assets at close of 1945 aggregated $161,745,000.

NOTICE OF DIVIDEND
No. 21

International Detrola Corporation
Detroit, Michigan

Directors of International Detrola Corporation have declared a quarterly dividend of twenty-five cents (.25) per share to be paid August 1, 1946, to stockholders of record at the close of business, July 15, 1946.

C. RUSSELL FELDMANN
President

Shifting Scenes for the Movies

as compared with $1,380,000 in like period of preceding year, equal to $2.06 a common share based on present capitalization.

Monogram Pictures Corp. is one of the smaller units of the business. Net profit for year ended June 30, 1945, amounted to $165,161, equal after preferred dividend requirements, to 28 cents a share on 500,000 shares of common stock, as compared with $177,823 or 39 cents a share on 458,659 common shares in preceding year. Total revenues climbed to $4,807,446 in 1945 period as compared with $4,300,627 in preceding fiscal year and $1,542,094 in year ended December 31, 1938. Net working capital aggregated $1,842,869 on June 30, 1945.

For 44 weeks ended May 3, 1946 company reported a net profit of $318,824 as compared with $154,405 in like period of preceding year.

Cyclical Impetus for Mining Companies

(*Continued from page* 449)

year, although chances are that these funds will be available only where wage boosts have been granted and where new prices prove inadequate to offset rising costs. Smaller operators and high-cost producers, accordingly, stand to be the main gainers through subsidy assistance. With every prospect that demand for several years will keep the copper miners busy at high speed, there seems to be a good chance that operations will be profitable, as during past cyclical periods of above-average activity. But many economists view the longer range picture with less assurance. European demand for copper from wartorn nations seems unlikely to rebound to an appreciable extent for many years to come. Witness Germany, for example, with a prewar copper consumption of over 400,000 tons and now facing a prolonged period of decline. Despite continued high level demand in the United States and perhaps Britain, world copper suppliers sooner or later could easily outdistance demand, with inevitable effect upon prices.

Scarcely less acute than the shortage of copper has been the squeeze upon supplies of lead and zinc, although somewhat more of the latter material has been available. In these fields also, operations have been severely curtailed by strikes and anxiety over a possible cost-price impasses. For many years past, no new lead deposits have been discovered in the United States and reserves have been steadily depleted. Civilian Production Administration estimates that in view of prospective rising demand for lead in batteries, cables, paints, etc., domestic production will fall far short of requirements, probably by some 200,000 tons in the current year, although formerly little reliance upon imports had been necessary, at least prior to the war. While Mexico, Canada and Australia can meet the deficiency, rising prices abroad increase stockpiling problems. To offset mounting wage costs to some extent, lead miners have been granted a price raise from the recent level of 6.5 cents per lb. to 8.25 cents for primary grades. Additionally, they will share in the subsidy program. Pending reestablishment of OPA, large producers like St. Joseph Lead Co. and American Smelting and Refining Co. have just broken through price ceilings to an extent equal to the subsidies they are temporarily denied. As long as ore reserves remain adequate, miners and refiners of lead are likely to operate profitably, provided general business activity continues to be expressive, but markets may be subject to allocation and rationing. The same remarks apply to producers of zinc, although average grade supplies are more plentiful than high grade specials required by die makers and for which an acute shortage exists. Prospects for continued strong demand for zinc from makers of brass, 40% of which is zinc, are such as to markedly brighten the outlook for miners of this material.

Perhaps the brightest spot in the broad field of non-ferrous metals, as well as one of the most surprising, is that enjoyed by producers of aluminum. Despite dismal predictions that war-swollen capacity of this industry would inundate peacetime markets with twice the materials which could possibly be absorbed, experience currently is teaching otherwise. With competition heightened for Aluminum Co. of America by acquisition of huge Government plants by Reynolds Metals and others, exploitation of markets has been vastly broadened. And for the first time in peacetime years a record low price of 15 cents per pound has attracted new users of this versatile material. With scarcity of other metals hampering fabricators of durables, ample supplies of the light metal have found ready takers in many new fields. Thousands of items, such as furniture, kitchen utensils, lawn mowers, and what not, including transmission wire, doors and window frames have leaped to the competitive front, with good prospects of holding their own. Scarcity of ingots is nearing a critical stage, and aluminum sheets are in wide demand by the Housing Authority as a substitute for steel roofing and walls.

12 Stocks Which Offer Substantial Profits

We Will Tell You When to Buy and When to Sell

6 Stocks Under $27

—for percentage gains on capital invested

√ Price now 5½. Estimated liquidating value ranges from $6 to around $12. Equity built up due to augmented requirements for maintenance, depreciation and restrictions of dividends. Market appraising increased value.

√ Price now 11⅛. Has paid dividends continuously since incorporation in 1926. Yield 4.5%. Serves growing market in New York State. Earnings should now approximate pre-war years. In 1936, stock sold at 19¾.

√ Price estimated at 15½. A growth stock to be split up three for one . . . currently selling 47⅛. Earned $3.29 in 1945 and much larger earnings expected this year. Dividends paid since 1936. Strong financial position. Yield 3%.

√ Price now 16. Leading equity to participate in air transport growth . . . domestic and international. Expect schedule operations to increase 300%. Strong financial position . . . cash alone exceeding current liabilities.

√ Price now 21¼. (We advised sale earlier this year at 27⅜ with 12 points profit.) Stock again attractive. Earnings first quarter 97¢ . . . gain of 135% over 1945. Full year's earnings estimated $3. Current yield 5.6%.

√ Price now 26½. Country's largest producer of its products. Dividends paid since 1912. Bright 1946 outlook with reduced taxes presage earnings in line with pre-war average 43% above wartime. Present yield 4.5%.

6 Stocks Over $27

—for capital appreciation plus good income

√ Price now 27⅝. Sound company which has paid dividends since 1909. Strong financial position bulwarks dividend. Tax rate reduction and interest savings due to refinancing augurs well for 1946 earnings. Present yield 4.3%.

√ Price now 29¼. First preferred stock. Dividend $3 . . . current yield 10%. Attractive for liberal income and latent investment appreciation possibilities. Dividend is cumulative to extent earned with stock redeemable at $55.

√ Price now 41¼. Paid dividends continuously for 33 years. Current yield 4.4%. First quarter earnings this year 28% higher than 1945. Small capitalization. End of war expands foreign trade plus established domestic markets.

√ Price now 31¼. One of the leaders in the electrical field. Dividends paid since 1929. Earned $2.05 in 1945. High this year 41. Strong financial position with cash and equivalent of about $22,000,000. Current yield 4%.

√ Price now 33⅝. Promising growth equity in retail trade. Sales this year should reach high of $200,000,000 and common share earnings should be above $3.00. Dividend recently increased to $1.00...payments made continuously since 1907.

√ Price now 57. For twelve months ending March 31, 1946, showed $3.87 versus $2.50 in 1945. Estimated earnings over $4.00 for 1946. Dividends paid since 1929. Strong financial position. Dividend increase anticipated this year. A leader in its industry.

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Weighing World Price Trends

(*Continued from page* 451)

effective tax collecting system. In addition, heavy payments had to be made for the army of occupation and for reparations. These payments too were met by borrowing from the Central Bank. The prices soon rose, and since the Government was Leftist, the workers were given substantial wage increases to meet the rising cost of living. Before long, an inflationary spiral began to operate, and prices and wages sky-rocketed to levels never witnessed before. The price increase amounts to several quadrillion per cent (one dollar recently sold in Budapest for almost one quintillion pengoes) and the country is bankrupt. In Austria, the prices of rationed goods have held firm, and the black market prices are reported to be declining. The dollar, which was worth about 300 schillings in black markets last Fall, now brings only about 60 schillings.

In *Czechoslovakia*, official prices have practically doubled since the liberation. They were deliberately raised last Fall, together with wages, but in order to preserve the equilibrium between the purchasing power and the supply of goods, the Government froze all the old purchasing power, i.e., all the old bank accounts and the currency outstanding. These frozen funds are being gradually released as more consumers' goods are produced and as more imported and UNRRA goods are available. As in Czechoslovakia, the official prices *in the Netherlands* have been also allowed to rise closer to a black market level. Since the bulk of old deposits and currency outstanding have been blocked, the people have had less money for the purchases in black markets which are gradually shrinking. In *Belgium* (no price index available) the production costs, owing to expanding production, were reduced sufficiently to permit a 10 per cent reduction in the prices of rationed goods a month or so ago. The black market prices in Belgium have also taken quite a tumble.

In Sweden, Switzerland, and Denmark—as in Norway a moderate decline of prices since last August has taken place. It has been due principally to lower prices of imported goods which were priced too high during the war because of blockade. In *Great Britain, Canada, and New Zealand*, prices have risen a few points; the rise reflects a moderate relaxation of the control, particularly in Canada, and the adjustment to higher production costs. In Great Britain, efforts have been concentrated on holding the line in the case of basic items in the British diet. These items are subsidized, but other food items are left to ride the demand of buyers. Industrial raw material prices have been allowed to reflect higher production costs—to stimulate the output in the producing countries. The London Economist's index of metal prices has advanced nearly 60 per cent since V. E. day. *New Zealand* has probably carried the subsidy policy further than any other country. Wherever the production costs of basic commodities have risen, directly or indirectly as a result of higher wages, the Government pays subsidies, so that it could be said that wages are subsidized. In *Australia and South Africa*, no material change in price levels has taken place since the armistice. Both countries have *price and wage* controls and subsidize goods of essential nature.

There has been no definite pattern in the movement of Latin American prices. In *Peru* and *Costa Rica* (not shown in the table) they have declined or remained stable, largely because more imported and manufactured goods are available now that the distribution and the shipping situation have improved. Elsewhere, in *Argentina, Mexico, Chile* and apparently also in *Uruguay* and *Brazil* (no wholesale price indexes available) prices are rising.

With the exception of *Venezuela*, Latin American prices are far above the world price level—represented by the prices in the United States, Great Britain and Canada. The adjustment of Latin American prices to this world level—or to our price level—looms up as one of the principal postwar problems south of the Rio Grande. It has been expected that rather than to face deflation and the lowering of wages and costs, Latin American countries will adjust their price levels to ours by devaluating their currencies. Now, the rise of prices in the United States may greatly ease their problem, provided, of course, that their prices do not rise any more. However, to check the inflationary spiral that has developed in Chile, Mexico, Brazil, Bolivia and evidently also in Argentina, it will be necessary to cut down the budgetary deficits and to raise the productivity of local labor so that the permanently increased wage rates can be maintained.

In various *Near and Middle Eastern countries* a considerable decline in prices has taken place from the war peaks. Since the end of the war, however, the prices have been stable or rising somewhat, mostly because of the rise of raw materials and farm prices in world markets.

The prices and costs of Near and Middle Eastern countries became greatly distorted during the war because of the suspension of normal imports and because of the competition for local products on the part of Allied armies, stationed in these areas. *In Syria*, prices rose nearly 1000 per cent, *in Turkey* around 600 per cent, the degree of inflation depending roughly upon local resources. Because of their comparative wealth, the prices in *Egypt and India* went up only about 200 per cent, even though large armies were stationed there up to the very end of the war.

No Rent Worries

(*Continued from page* 466)

their homes and made down payments of approximately 20 per cent of purchase price.

Included in this prudent clan of 100 property purchasers were: 37 mechanics, 31 white collar men, 7 small business men, 7 salesmen, 3 professional men, 3 railroad trainment, 2 building superintendents, 2 private chauffeurs, 2 truckmen, 1 private policemen, 2 New York policemen, 1 New York fireman and 1 mail carrier.

This article was not designed to increase anyone's unhappiness . . . particularly if any of our readers have been alarmed by rent rise scares or have been the evicted victims of sales by landlords who sold on the rising market. The object was to provide food for thought . . . to illustrate how some families achieved immunity from the housing shortage and its related troubles. When the real estate market settles, you may decide on home ownership

Book Review

DIGEST OF INVESTMENT COMPANIES—1946 EDITION

Arthur Wiesenberger 319 pages $10.00

This is the "Bible" of investment trust information.

Mr. Wiesenberger is a firm believer in the merits of the investment trust as a medium for investment by the average small investor, and emphasizes large investor participation. In his introduction he advises caution due to recent spectacular advances. Numerous issues were undervalued in the past, he states, but in many cases this condition has been corrected, and in some cases overvaluations are beginning to develop. More care and discrimination than ever are necessary in the selection of these securities now. The book discusses various types of services provided by different types of investment trusts. Is income at partial sacrifice of capital safety needed, or is capital appreciation the paramount consideration? Open and closed end investment company merits are discussed, capital structures, various types of leverage issues, management merits, etc. Examples are given in all cases, such as variations in leverage results, how to calculate leverage, etc. There is also a chapter devoted to averaging, and another to discussion of management results. The body of the book is devoted to financial statements and portfolios of major investment trusts. Individual reviews of 39 closed end companies and 47 open-end companies are given.

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